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ABSTRACT

This manual provides a preliminary survey of Peace Corps activities in the area of small enterprise development and identifies some common factors leading to success or failure in programming this type of project. Chapter 1 presents an overview of Peace Corps policy toward and involvement in the field of small enterprise development. The emphasis is on more recent developments. Chapters 2-4 present three individual case studies that describe the projects that have made up the small enterprise development program in Cameroon, Ecuador, and the Philippines. Each chapter contains background information on the country, Peace Corps programming in small enterprise development, project experience, and training. Each chapter concludes with a section discussing the strengths and weaknesses of the projects from a programming standpoint. Drawing upon the experience of the small enterprise development programs in the three selected countries, the final chapter analyzes past programming approaches and draws from them a list of suggested criteria for successful Peace Corps participation in small enterprise development projects. The appendixes provide information on the resources used to conduct the study. (YLB)

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Peace Corps

PEACE CORPS PROGRAMMING IN SMALL ENTERPRISE DEVELOPMENT

THREE CASE STUDIES AND ANALYSIS

Compiled by

CLARE HUMPHREY AND CHRIS MEYER

Edited by

BARBARA J. SIMS

Prepared for Peace Corps by
INTERNATIONAL SMALL ENTERPRISE DEVELOPMENT CENTER
Xenia, Ohio and Washington, DC

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ABOUT THIS MANUAL

This study was conducted to provide both a preliminary survey of Peace Corps activities in the area of small enterprise development (SED) and to identify some of the common factors leading to success or failure in programming this type of project. For the purpose of the study, the term *small enterprise development* refers to projects addressing the needs of cooperatives and credit unions as well as small businesses and commercial agricultural ventures.

An annotated list of past Peace Corps SED projects involving more than three Peace Corps Volunteers was compiled from the written records in the Peace Corps library, Information Collection and Exchange files, regional office files and the files of development organizations with which Peace Corps worked on SED projects. An effort was made to include projects from 1961 through 1983. However, as the agency does not retain records more than twelve years, information for the earlier years is less complete.

From this list, three countries were selected for in-depth treatment as case studies: Cameroon, Ecuador and the Philippines. All three countries show significant involvement in small enterprise development over a number of years and present examples of programming in a variety of SED-related activities, from coops to small business advisory services.

The study uses the experiences with small enterprise development in these countries to identify some common programming approaches and problems in this area. It is hoped that past experience can thus provide guidance for program staff from Peace Corps and other international technical assistance organizations considering the initiation or improvement of small enterprise development projects.

The first chapter presents an overview of Peace Corps policy toward and involvement in the field of small enterprise development. The emphasis is on more recent developments, since SED efforts have become more focused and have been given greater priority in the 1980s.

Chapters 2 through 4 present the three individual case studies, describing the projects that have made up the SED program in each of the countries. Each of these chapters concludes with a section discussing the strengths and weaknesses of the projects from a programming standpoint.

Drawing upon the experience of the SED programs in the three selected countries, the final chapter analyzes past programming approaches and draws from them a list of suggested criteria for successful Peace Corps participation in SED projects.

The Appendices provide information on the resources used to conduct this study.

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PEACE CORPS POLICY FOR SMALL ENTERPRISE DEVELOPMENT: AN OVERVIEW

The following overview of small enterprise development programming in the Peace Corps is constructed from various Peace Corps sources to serve as a framework for considering the country case studies and recommendations. The general literature describing, analyzing and justifying the importance of the small enterprise sector in developing economies is extensive and readily available. For the purpose of this study, therefore, it is assumed that the small enterprise sector is critical for employment creation, income generation, sustained economic growth and socio-economic progress.

Tracing the general evolution of Peace Corps programming for the private enterprise sector is difficult because projects involving assistance to small enterprise have rarely been formally documented as part of a distinct *"SED program."* Volunteer activities to support small enterprise and generate income can be found in programs diversely described as rural development, agricultural marketing and credit, rural income generation, cooperatives, competitive enterprise development, community development and small business assistance. Much of Peace Corps' involvement with small enterprise has been through the secondary activities of individual Volunteers assigned to other projects and thus remains undocumented.

In many cases, isolated small business activities evolve through Peace Corps Volunteers' perception of the need for cash in their communities. Their solutions often focused on such modest and easily introduced economic vehicles as cooperatives, credit unions and small profit-sharing enterprises. Occasionally, such activities were incorporated into formal projects aimed primarily at rural income generation.

Examples do exist of projects designed to provide direct technical assistance to small business through advisory services and similar vehicles. But these have been rare until recently. In the past, the small business community in many developing countries lacked the managerial skills, organizational structures, marketing know-how, financial stability and entrepreneurial stimulus necessary for sustained growth. These weaknesses have made it difficult for the Peace Corps and other donors to provide relevant technical assistance through formal programs to meet the needs of the business sector.

Economic activities have thus historically often been part of the Peace Corps Volunteer's job as a secondary activity, with specific written policy and programming thrusts for small enterprise development being a relatively recent development. For example, of the three countries selected for in-depth analysis, only Ecuador had a recognizable program oriented toward small enterprises as early as 1963. Peace Corps/Cameroon began programming heavily in this field only in 1970, and Peace Corps/Philippines did not launch its coordinated program until the mid-1970s.

Specific programming for strengthening small businesses and assistance to countries in implementing it has only recently been accorded a high priority by Peace Corps/Washington. Nonetheless, a gradual increase in small enterprise programming has paralleled the increasing sophistication of the small business sector in the developing world and its willingness and capacity to accept foreign assistance.

By the 1980s, Peace Corps was developing policies specifically directed toward small enterprise development. The *Peace Corps Forward Plan 1983-1985* describes an agency initiative for highlighting and guiding Peace

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Corps efforts in small enterprise development. According to the plan, the goal is to:

> Emphasize Volunteer assignments which promote local economic development and self-sustaining productive capacity (especially in areas of food and energy), develop income-generating market mechanisms and build local institutions and initiative.

This initiative suggests a number of specific activities in which Peace Corps assistance might be needed, including improved food storage services, agricultural marketing, tool production, fishpond development, agroforestry and commercial production of more efficient cookstoves. Providing direct assistance to profit-making businesses is not yet specifically mentioned, although the initiative alludes to collaboration with profit making organizations overseas.

A second document published in 1983, the *Small Enterprise Development Policy Paper*, increases the Peace Corps commitment to small enterprise development programming and expands the type of business activities in which Volunteers might be involved. For example, it adds "*business advisory services*" to the traditional vehicles of cooperatives and credit unions and suggests placing Volunteers with manufacturing concerns, possibly through such intermediaries as local Chambers of Commerce.

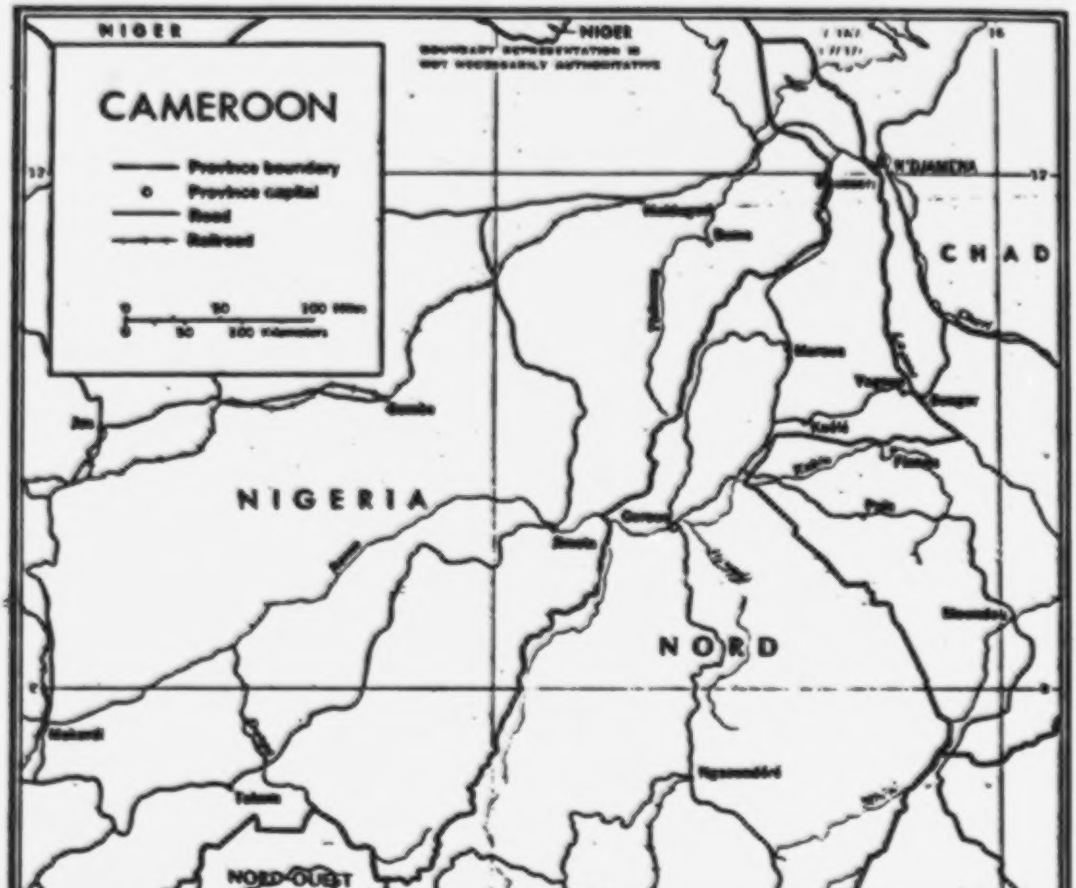
The initiative also suggests that Peace Corps has a role in the marketplace. It justifies Peace Corps involvement in small enterprise development on the grounds that small enterprises contribute to increased employment and income by providing opportunities for local entrepreneurs. It notes the increasing importance of import substitution enterprises to a country's balance of payments and the more gradual impact on local economies of small companies.

The Peace Corps Forward Plan 1985-1987 provides the most comprehensive policy statement so far on small enterprise programming. A primary initiative for the next three years seeks *"to expand Peace Corps programs in Central America"* by emphasizing education, health, housing and *small business*. The small business area is, as in the past, *"directed towards development of cooperatives,"* although it seems that some efforts will be made to work with local Chambers of Commerce.

The second and third initiatives involve improving food systems in Africa and primary health care throughout the Third World. Both have small enterprise components, though these are not explained in detail. The main objectives for enterprise development in the Peace Corps program for food systems appear to be market development and improving access to credit. The goal is thus to reduce rural-urban migration through income generation.

The fourth initiative directly proposes *"to refine and expand income generation programs."* It details Peace Corps goals and objectives for small enterprise development projects and suggests specific mechanisms and target populations for achieving those goals. Because of its value as a planning instrument for programmers, this initiative is quoted in its entirety in Appendix 4.

This, then, is the philosophical and operational framework within which Peace Corps programs have been and will be fashioned. The projects and programs in Cameroon, Ecuador and the Philippines which follow can be seen in terms of this evolving policy framework.


CAMEROON
Province boundary
Province capital
Road
Railroad
0 50 100 Miles
0 50 100 Kilometers
NIGER
NIGER
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
N'DJAMENA
CHAD
NIGERIA
NORD
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SUD-OUEST
LITTORAL
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GABON
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CASE STUDY: CAMEROON

Country Background

Economic and political stability has characterized Cameroon since independence. Due in large part to that stability, Cameroon is one of only two West African nations to register cumulative GDP growth over the past five years. While petroleum has been the major impetus for this strong growth over the past decade, the country also has a broad-based agricultural sector. Besides producing a wide variety of cash crops, it is virtually self-sufficient in food production. The agricultural sector provides jobs for 70 percent of the work force and generates 40 percent of GNP and 75 percent of the country's export earnings.

The country is governed by an elected president with an appointed prime minister and a National Assembly of 120 members. There are ten provincial administrations. The ruling (and sole) political party is the Union Nationale Camerounaise (UNC), the result of a 1966 merger of the two former political parties representing the eastern (former French mandate) and western (former British mandate) regions. Government is conducted in English and French, with the eastern part of Cameroon retaining a French-influenced bureaucracy and the western part an English-influenced bureaucracy. Traditional institutions such as chiefdoms are in noticeable decline.

The growing industrial-commercial sector is diverse, reflecting the vagaries of the current international economic scene. Despite a government policy which has consistently encouraged self-reliance, foreign capital still predominates except in agribusiness. The processing industries, smaller manufacturing firms and assembly plants of various kinds are still expanding.

The government has instituted investment incentives to encourage new domestic and foreign enterprise, especially in agribusiness. Reform of the cumbersome, inefficient and largely unprofitable system of 83 state enterprises is likely as the desirability of expanding the private sector becomes more apparent.

The government is showing increasing interest in assisting small and medium enterprises as a primary means of creating employment and increasing income for a wider spectrum of the indigenous population.

Peace Corps Programming in Small Enterprise Development

Cameroon invited the Peace Corps to assist in the development of education and agriculture in 1962, shortly after both Cameroonian independence and the birth of the Peace Corps. These basic program thrusts continue today although they are reflected in a wider diversity of projects. Volunteers are currently involved in agriculture, fisheries, forestry, rural and community development, education and small business development centering on cooperatives, credit unions and cooperative marketing.

Peace Corps/Cameroon's involvement in small enterprises was slow in coming. While the Peace Corps Program Memorandum for 1966-1970 noted a need for foreign assistance to small business in Cameroon, it added that this could best be accomplished by USAID or FAO, partially because most small business activity involved trade. The Memorandum concluded: *"Therefore, we have not identified a Peace Corps goal in this area."* A similar statement appeared in the Program Memorandum for 1967-1972, except

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN CAMEROON

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Agricultural Cooperative Advisors		Educate prospective cooperative members in the operation of primary cooperatives, establishment of cooperatives and how to conduct meetings, select managers and assign responsibilities to cooperative leaders.	8	1970
Agricultural Marketing Cooperatives		Help organize primary cooperatives for coffee and cocoa marketing.	8	1970
Credit Union Cooperatives	1969	1) Provide technical assistance to treasurers to result in improved bookkeeping and account control systems; 2) introduce, explain and monitor procedures for granting agricultural loans; 3) provide membership education; and 4) promote formation and registration of new credit unions.	7	1/1974
Export and Foodstuffs Cooperatives		Establish more rational, balanced cooperative marketing structure for locally grown foodstuffs by: a) identifying and establishing markets; b) organizing or revitalizing foodstuffs cooperatives to supply such markets; and c) advertising cooperatives as necessary.	5	1/1974
SOCOOPED Cooperatives (B-5-1)		Assist the Department of Cooperation and Mutuality in managing small farmer organizations to become efficient marketing cooperatives ensuring remuneration to members and initiating and implementing community development projects.	6	1976

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN CAMEROON (Page Two)

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Credit Union Cooperatives (B-3-1)	1970	1) Assist the Credit Union League and the Department of Cooperation and Mutuality to increase the efficiency of existing credit unions; 2) encourage membership, savings and loans; 3) encourage and assist in agricultural loans; and 4) where needed, help establish new credit unions.	5	1976
Cooperatives/ Credit Unions (694-A4)		Documentation incomplete	30	1979
Cooperative Development-Cooperative Education Advisor	1981	Documentation incomplete	7	1982
"	1981	Assist in the development of competent cooperative employees and responsible cooperative members through the establishment of cooperative education services at each cooperative.	6	3/1983
Cooperative Development		Documentation incomplete	7	1981
Anglophone Marketing Cooperative Advisors		Documentation incomplete	9	1982
"		Assist in the development of sound management structures and techniques and a more diversified economic base.	7	3/1983

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN CAMEROON (Page Three)

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Cooperative Development		Documentation incomplete	5	1981
Credit Union Field Worker		Documentation incomplete	5	1982
Cooperative Development Credit Union Field Worker		1) Strengthen the Fieldworker cadre of the Cameroon Cooperative Credit Union League by providing qualified PCVs to serve as Fieldworkers; 2) help create sound credit unions; and 3) increase the rural population's access to small-scale capital for rural development.	6	3/1983
Cooperative Development		Documentation incomplete	3	1981
Woman's Cooperative Advisors		Documentation incomplete	6	1982
Cooperative Development Woman's Cooperative Advisor		Assist the Ministry of Agriculture in its efforts to upgrade management practices, to provide on-the-job training to Cameroonian counterparts, to help educate cooperative members on the structure and principles of cooperatives and to encourage cooperative diversification into other areas of agriculture and community development.	6	3/1983

that assistance to *"craft coops"* was listed under the relatively low programming priority of *"other alternatives."*

A few individual Peace Corps Volunteers worked with cooperatives in the 1960s, usually as a secondary activity stemming from their primary assignments as school teachers and agricultural or community development workers. But the Peace Corps archival record shows that an official in the Department of Cooperation and Mutuality within the Ministry of Agriculture for anglophone Cameroon initiated the first formal request for programming in this area in 1969. According to a 1981 report on their Cameroon program by consultant Mark DeLancey, the official commented that the cooperative movement was expanding so rapidly that his staff was overburdened and that Peace Corps Volunteers could provide *"badly needed additional capable hands to assist newly recruited field men in the Ministry."* In 1970, a very similar request was made for credit union support. These requests started discussions that led to the establishment of a full-scale program to assist cooperatives. The program was formally launched in 1970 when the first group of 16 Volunteers completed incountry training and was assigned to local cooperatives. In 1974, the program was expanded on a limited scale into the francophone area.

The purposes of the program were to:

- expand the services the Department of Cooperatives could provide to member farmers;
- improve the quality of agricultural produce for export;
- increase the amount of capital available to villagers for raising their general standard of living; and
- help establish market and storage facilities for local surplus food production. (DeLancey, 1981)

The intention was to establish incentives for agricultural producers and develop skills among cooperative members. Volunteers were requested to assist with activities to meet these goals during a transition period in which host country nationals could be trained and the coops made self-reliant and profitable. The focus was on production and marketing of agricultural products (especially coffee and cocoa), although other types of agribusiness and related rural development activities such as handcrafts production were occasionally undertaken by individual cooperatives.

Four major Peace Corps projects emerged from this effort: Credit Union Cooperatives, Anglophone Marketing Cooperatives, Women's Cooperatives and SOCOOPED Cooperatives. These projects continue today, with some modifications in objectives, geographical distribution and Volunteer roles. Slightly more than 200 Volunteers served in these projects between 1970 and 1984.

The Cameroon cooperative system in which these Volunteers worked was a rather complex hierarchy of organizations dealing with a number of different cash crops and target populations. The cooperative system for coffee and cocoa, for example, consisted of:

- an overall Department of Cooperation and Mutuality within the Department of Agriculture;
- an apex cooperative organization for coffee and cocoa, including a Marketing Board and overall Board of Directors;
- approximately nine Divisional Cooperative organizations;
- from five to ten regional cooperatives under each divisional coop organization; and
- anywhere from 20 to 200 village-level primary cooperatives under each regional coop.

The role and responsibilities of a cooperative Volunteer depended greatly upon where in this hierarchy that Volunteer was placed. For example, PCVs were placed at the Divisional levels to develop cooperative training and educational materials, while others were assigned to regional cooperatives to be management advisors or member education advisors (Laidig, 1985). One result of this diversity of roles was that Volunteer satisfaction, host country perception of Volunteer effectiveness and other criteria for measuring success also varied at each level, making program evaluation difficult. This was true for the individual projects that made up PC/Cameroon's cooperative programs as well as for the program as a whole.

Project Experience

Credit Union Cooperatives

Credit unions, which rely on the investment of the individual savings of members for a capital base are a means of increasing access to credit within cash-poor communities. The loans which credit unions make available can provide a source of necessary start-up capital for small businesses of many kinds.

Though a traditional form of the credit union, the savings society, has long existed in Cameroon, the benefits of a formal organization are not widely recognized in many rural areas. A Peace Corps project designed to help promote this relatively new concept and provide assistance to Cameroon's fledgling credit unions first placed Volunteers with the Cameroon Cooperative Credit Union League (CamCCUL) in 1970. Approximately 45 Volunteers have worked on this project since 1970, the object of which is *"to assist the credit unions in becoming self-sufficient and economically independent; and to improve the management and operations of the credit unions at their daily working level."*

Volunteer involvement has been greatest in anglophone Cameroon, although Volunteers have been assigned to the francophone area since 1974. In the early years of the project, Volunteers focused on educating credit union members, assisting local Boards of Directors in processing loan applications and approvals, and improving the management aspects of credit union organization and daily operations. Overall direction and advice was provided by CamCCUL, while local government authorities helped handle fraud cases and delinquent loan collection.

As the project evolved, Volunteers often were assigned the more formalized role of bookkeeper and traveling auditor and were required to work more narrowly within government-authorized CamCCUL guidelines. Some Volunteers felt that this new job description united the more innovative and motivational role they had played earlier and certainly the scope of the work in which later Volunteers were involved was not nearly as broad. Characteristically, Volunteers were assigned to 15-30 credit union societies which they visited monthly, submitting quarterly reports to CamCCUL. The Volunteers worked with each society's bookkeeper to determine the quality of work and to provide on-the-job training.

Despite examples of individual credit unions that failed or remained only marginally operational, the program has been successful overall. According to a 1984 Project Report, the number of credit unions in the country has doubled since Peace Corps' initial involvement in the project. Many credit union members have received substantial dividends on their investments. Loans have evolved from consumer-related to the capital start-up type, indicating an increased understanding of enterprise development and use of credit. Volunteers interviewed for this study estimated that loan delinquencies decreased from 10 to 50 percent.

There is much evidence in the interview material that Volunteers have played a pivotal role in the project's success.

Volunteers generally agreed that their efforts helped establish credit unions as institutions which positively affect individuals at many levels of society, including the poorest, by fostering new businesses and better farms.

There have been some problems to overcome in the project as well, however:

> The original project design called for Volunteers to work themselves out of a job by 1976 by training counterparts to take over their functions. Several of those interviewed for information on the project commented that there were qualified Cameroonians who could take over the bookkeeping/auditor function. However, counterparts have often not been available because of a lack of financial resources in the Cameroonian government.

More recently, CamCCUL has signaled its agreement to phase out Volunteer involvement in the project by providing paid counterparts to work closely with Volunteers on credit union inspections, in order to train them to assume those functions.

In addition, Volunteers interviewed for this study identified two cultural problems which hindered their efforts. In particular, many Volunteers felt they had to overcome a basic distrust of government-related organizations among the people. A perception of official corruption made many Cameroonians anxious about involving government in money matters--the domain of the credit unions. This initial distrust required concerted efforts by the Volunteers to demonstrate trustworthiness and instill the same values in other credit union staff members.

Female Volunteers acting in management and advisory roles also encountered resistance in a society where these roles are traditionally held by males. The idea of extending credit union membership to local women, thus offering them the possibility of some economic independence, similarly encountered resistance among more traditional community members. Female Volunteers suggested strategy sessions with male credit union members and worked to demonstrate trustworthiness as the means of overcoming these problems.

(Portions of the above based on interviews with Janice Tuten, PCV Cameroon, 1978-1980, and Sarah Grote, 1980-1983, as well as numerous documents.)

Anglophone Marketing Cooperatives

The goals of this project are to "*render on-the-spot technical support, advice and guidance to enable coop employees and the board of directors to operate a profitable business, ensuring fair play and remunerative work for the peasant producers.*" Since its initiation in 1970, the project has concentrated on groups marketing coffee and cocoa for export, although Volunteers have also provided assistance to coops for other crops such as palm oil and rice.

Volunteers have been assigned to specific cooperatives where they have often served as assistant managers and problem solvers.

The relatively open job description allowed Volunteers to take on a wide variety of other activities in addition to their assigned tasks. In addition to auditing books and training bookkeepers, for example, they also started coffee and cocoa nurseries, operated coop stores to provide tools, fertilizers and other products, conducted efficiency and cost-benefit studies, merged coops and created member education programs.

This role seems to have been considered appropriate by Cameroonian cooperative supervisors and members. Mark DeLancey stated in his 1981 report to Peace Corps that the 45 Volunteers assigned to this project were more successful than those assigned to the credit unions because they *"have frequently been able to play the role of free-lance innovator and troubleshooter."*

On the other hand, Peace Corps staff and some Volunteers felt that their role and responsibilities were not outlined clearly enough. A number of those interviewed for this study felt that the Volunteers serving in this project would have been more effective had their job descriptions delineated more specific tasks and line responsibilities.

Government support for the project has been strong and the Department of Cooperatives and Mutuality (Coop/Mut) of the Ministry of Agriculture has generally been satisfied with and supportive of the Peace Corps role.

Volunteers interviewed for this study reported that their most serious problems were in dealing with instances of graft, nepotism and political influence within the organizations they were expected to assist. Their role as troubleshooters frequently brought some Volunteers face-to-face with evidence of such practices, yet allowed them few options for dealing sensitively with the situation.

Volunteers tried to overcome these problems with more efficient financial controls and discussions with management. Yet, in many cases, the Volunteers were not able to correct the situation and thus were never completely comfortable with the ethics of their organizations.

The project produced some notable offshoots, including one small operation which produced and marketed honey and woodcarvings. The Volunteer conceived the idea and wrote the marketing plan, then worked with one staff person and the member Board to develop the project.

The goal was to expand potential income by selling processed (hence value-added) honey rather than the raw product. The venture achieved a sales volume of $10,000 annually with 25 to 30 members selling to a consumer market of well-to-do Cameroonians.

The cooperative paid off an initial US $500 loan in the first four months, covered other expenses, and made an annual dividend payment to all members of approximately US $200. Despite the low monthly rate, this represented new income for the participants and provided a successful pattern for succeeding projects. Although the coop later ran into transportation problems when it tried to expand into more distant markets, the Volunteer who initiated it identified this activity as the most successful of several projects with which he worked.

(Based in part on interviews with James Geren, PCV Cameroon 1978-1980; Timothy Richardson, PCV Cameroon 1981-1984; Theresa McGinn, PCV Cameroon 1978-1980; Cecilia MacLean, PCV Cameroon 1981-1982; and David Girardi, PCV Cameroon 1976.)

Women's Cooperatives

The desire on the part of the Cameroonian government both to expand the participation of women in national development and to provide a marketing structure for locally grown foods gave rise in the early 1970s to a project to establish women's food marketing cooperatives. The basic assumption behind the project was that women, as the primary producers of foodstuffs, stood to gain from the improved marketing mechanism of cooperatives (as men had with such cash crops as coffee, cocoa and rice).

Initial project efforts attempted to stabilize the price and supply of palm oil, a major cooking product. Cooperatives for corn, beans, potatoes, yams and other subsistence foods soon followed and provide major marketing channel for these foods.

That the effort was intended to serve more than local village economic goals was obvious from the fact that it was supported from the outset by the Women's Branch of the ruling UNC party which hoped to establish a village-level political arm. Consequently, this particular project received strong initial support from government agencies in the more than half-dozen districts in which it was launched.

Volunteers were requested to assist in identifying and establishing markets, organizing or revitalizing foodstuffs production cooperatives and advising these coops on single storage techniques (project description, 1974). Some 45 Volunteers have worked since 1971 in a variety of roles from manager of the coop to trainers in bookkeeping and officer responsibilities to initiating and chartering new coops. Most have worked in anglophone areas of the country under the job titles of Cooperatives Foodstuffs Marketing Advisors and Women's Cooperative Advisors.

Because the project originated more with the national government than with the communities or the women themselves--even to the choice of palm oil as the primary product to be marketed--progress in establishing the coops was slow at first. The lack of local involvement in project planning complicated the Volunteers' tasks of convincing women to contribute the share capital and dues necessary to operate the coops.

The project faced a number of other obstacles as well. Most of the women participants were illiterate; coops were often required to hire a bookkeeper, raising operating costs. Lack of management skills and experience in business made the women hesitant to participate in the operation of their coops.

The women's coops often did not have access to resources readily available to the men, and were forced to depend on the men's organizations for assistance. For example, many women's groups lacked the transportation which had been provided to the men's coops or they had to share transportation on a schedule established by the men's coops. This limited the women's capacity to expand their markets to a wider circle of villages and drastically limited their ability to deliver products on a reliable schedule.

These problems and the fact that commercial buyers often cut prices to meet the new competition of the women's coops, caused many short-term frustrations and a fair number of outright failures. Nevertheless, the overall record of the project is one of success. The women were able in most cases to keep their prices competitive and the competition had a positive effect on market forces. The coops' reliability as suppliers increased as time went by in most places, as the women improved their business practices. Participating Volunteers reported considerable long-term satisfaction despite the short-term frustrations.

SOCOOPED Cooperatives

For the most part, this project sought to extend the activities and benefits of the Anglophone Marketing Cooperatives described earlier into the francophone area of Cameroon under the aegis of the Societe Cooperative d'Epargne et de Developpement (SOCOOPED). Volunteers were requested in 1974 to *"render on-the-spot technical support, advice and guidance to the . . . employees and boards of directors (to) operate a profitable business, ensuring fair play and remunerative work for the peasant producer."* The major thrust of the project was export production, especially of cocoa, with Volunteers serving as intermediaries between the farmers and exporters. Some 38 Volunteers were assigned to these marketing coops between 1974 and 1983.

Volunteers in this project encountered a number of difficulties that had not been common to the Anglophone Marketing Cooperatives project. The coop movement lacked the strong tradition and official commitment that characterized the movement in the anglophone areas. Management staff were less well-trained and motivated than the staff of the older anglophone coops. A well-established cadre of private traders (mostly expatriate) offered stiff competition to the fledgling coops. As DeLancey pointed out in his 1981 report, SOCOOPED itself was a new organization with no institutionalized customs or methods of interaction.

Although the basic job approach was similar to that of the Anglophone Marketing Cooperatives, the job description for SOCOOPED Volunteers was very general. As a result, Volunteers engaged in a much wider scope of activities, including development projects such as bridge-building, establishing schools and health care centers, digging village wells, organizing campaigns against coffee diseases, reopening fishponds and establishing a concrete block building business.

On the other hand, Volunteers were often unsure of the functions they were supposed to perform and Volunteers were frequently underutilized. Some Volunteers interviewed for this study even reported having no official work assignment at all.

Misunderstandings frequently arose between the individual cooperative Directors and the Volunteers for two reasons. The role of the director was paramount in the SOCOOPED system and members had less opportunity for direct participation in the operation of the cooperative. Thus, the Volunteer's role in educating and motivating coop members was limited.

More damaging, however, was that higher level officials in the Department of Cooperation and Mutuality often expected Volunteers to report to them on activities of the SOCOOPED directors and staff (especially looking for inconsistencies). Some Volunteers found that they were distrusted; their directors perceived them to be in a "*spy*" role. Directors were thus reluctant to involve the Volunteers in cooperative operations or to make use of their talents. Working relationships that were already difficult became impossible in those cases where real corruption did exist.

Both the Peace Corps Volunteers and staff interviewed for this study were aware of considerable problems in the SOCOOPED project. Yet, although the Peace Corps involvement in the SOCOOPED cooperatives seems to have been a failure cumulatively, individual Volunteers noted successes and some positive movement. One Volunteer pointed out that the existence of any coop is better than having no coop, noting that it would "*be a disaster*" to have exporters purchase directly from, and thus exploit, the farmers.

An attempt was made in 1982 "*to change the Peace Corps Volunteer's role from technical advisor to the more specific education advisor for staff and member training,*" according to a communication from APCD A.J. Simpson in 1983. Despite favorable comments on the performance of most Volunteers, "*no improvement in the overall resulted and Peace Corps has decided to permanently withdraw from the program.*"

(Portions of the above based on interviewed with Ronald Burns, PCV Cameroon 1976-1978; Thomas Johansen, PCV Cameroon 1978-1981; Alan Ferguson, PCV Cameroon 1978-1980; John Edelson, PCV Cameroon 1980-1982; Lauren Plummer, PCV Cameroon 1980-1982; and Thomas Kelly, PCV Cameroon 1978-1980.)

Training

Volunteers serving as Credit Union Field Workers have generally had some business experience and/or education and an aptitude for accounting. To this is added specialized training incountry, including both language training and training in cooperative law, basic accounting and credit union management. Interviews with Volunteers indicated that the latter has proven more useful and effective when administered by an experienced Peace Corps Volunteer than by a Cameroonian team.

According to Volunteer interviews, the quality and amount of training Volunteers as Marketing Cooperative Advisors varied widely from group to group. Earlier complaints about the paucity of cross-cultural training seem to have been corrected in recent years, however.

Volunteers provided much of the incountry training for the Women's Cooperative Advisors project. This approach has not been universally acclaimed as effective, however, obviously depending a great deal on the Volunteer's abilities as teachers. DeLancey warned in his earlier evaluation that *"overuse of Volunteers as instructors leads to serious problems of inbreeding, with the inadequacies of an earlier training program being concentrated in the present program."* (DeLancey 1976)

Finally, evaluations of the training program for the SOCOOPED cooperatives were mixed, with some Volunteers believing they were poorly prepared and others praising the appropriateness of the training.

Program Notes

Based on project experience, a number of factors can be identified which have had an impact on the success of SED programming efforts in Cameroon:

- Programming to assist small enterprises through credit unions and cooperatives enjoyed strong support from the Cameroon government. Ministry officials often both initiated new projects and were closely involved with Peace Corps staff in planning for Volunteer assistance. As a result, in many cases, Volunteers were fully integrated into the bureaucracy and were well accepted by their supervisors and co-workers.

- In some cases--most notably in the SOCOOPED and Women's Cooperatives projects--progress in meeting project goals was slowed by a failure to involve lower level officials and community members in the early stages of project planning. Volunteers in these projects spent much time attempting to resolve misunderstandings about their role or explaining project goals to those who were expected to participate.

- By virtue of their role as advisors in the areas of accounting, bookkeeping and business practices, many Volunteers encountered evidence of corruption in a variety of forms. Some Volunteers were able to resolve the problems that arose in what can be called a *"clash of values"* by tightening accounting procedures and working gradually to change attitudes. (This is an approach that could be encouraged in training as part of an effort to address what many of those interviewed identified as an obstacle to success.) Other Volunteers, particularly those in the SOCOOPED project, found the role they were expected to play in uncovering inconsistencies made it impossible to create workable relationships with their co-workers. This one aspect of their job description rendered a number of Volunteers completely ineffective.

- Volunteers often found they had to work hard to overcome a basic distrust of government institutions among the members of their host communities. Those who were expected to benefit from credit unions and cooperatives were sometimes reluctant to trust these organizations with their money due to widespread evidence of abuse in the government as a whole. Although this made the work of establishing new coops and credit unions doubly difficult, it is clear from the information gathered from this study that Volunteers played a crucial role in both building trust in these institutions and educating credit union and coop members to take a greater role in the management and operation of their organizations.

- Similarly, female Volunteers and Volunteers working with Women's Cooperatives played a crucial role in changing traditional attitudes towards women's involvement in business. Although progress in this regard was slow, most of those interviewed for this study felt their efforts had had some impact in widening opportunities for the participation of Cameroonian women in economic development.

- Project experience in Cameroon seems to indicate that Volunteer job descriptions for similar roles in different organizations are not interchangeable and must be carefully tailored to fit the goals of the project. The open-ended job descriptions which allowed early Credit Union and Anglophone Marketing Coops Volunteers the flexibility to respond innovatively to the situation as they found it created confusion and misunderstanding for Volunteers working in the SOCOOPED project. Working to more closely integrate and spell out Volunteer roles and project goals will make for greater overall project success, even though it is true that individual Volunteers will find opportunities for success no matter what their formal job description may be. Where flexibility is required by the characteristics of the organization and the project, training can help prepare Volunteers to take fuller advantage of their opportunities for innovation.

Summary--Elements of Success and Failure

Problems with No Clear Resolution

1. It has been difficult to determine how specific a Volunteer's job description should be. A relatively open job description allowed Volunteers to expand into a wide variety of activities within their assigned positions. Volunteers, however, also reported that specific assigned tasks and line responsibilities enabled them to integrate themselves into their jobs better.

2. Cameroonians had a high level of distrust in government-supported cooperatives because of perceived corruption. It was difficult for Volunteers to work in this environment and achieve trust as money managers, especially with the credit unions.

3. Volunteers often were not able to control corruption nor to achieve a comfortable working relationship in a system in which graft and political payoffs were so widespread.

4. Counterpart interaction was complicated when Volunteers were faced with deciding how much corruption to accept in others before reporting it to the proper authorities.

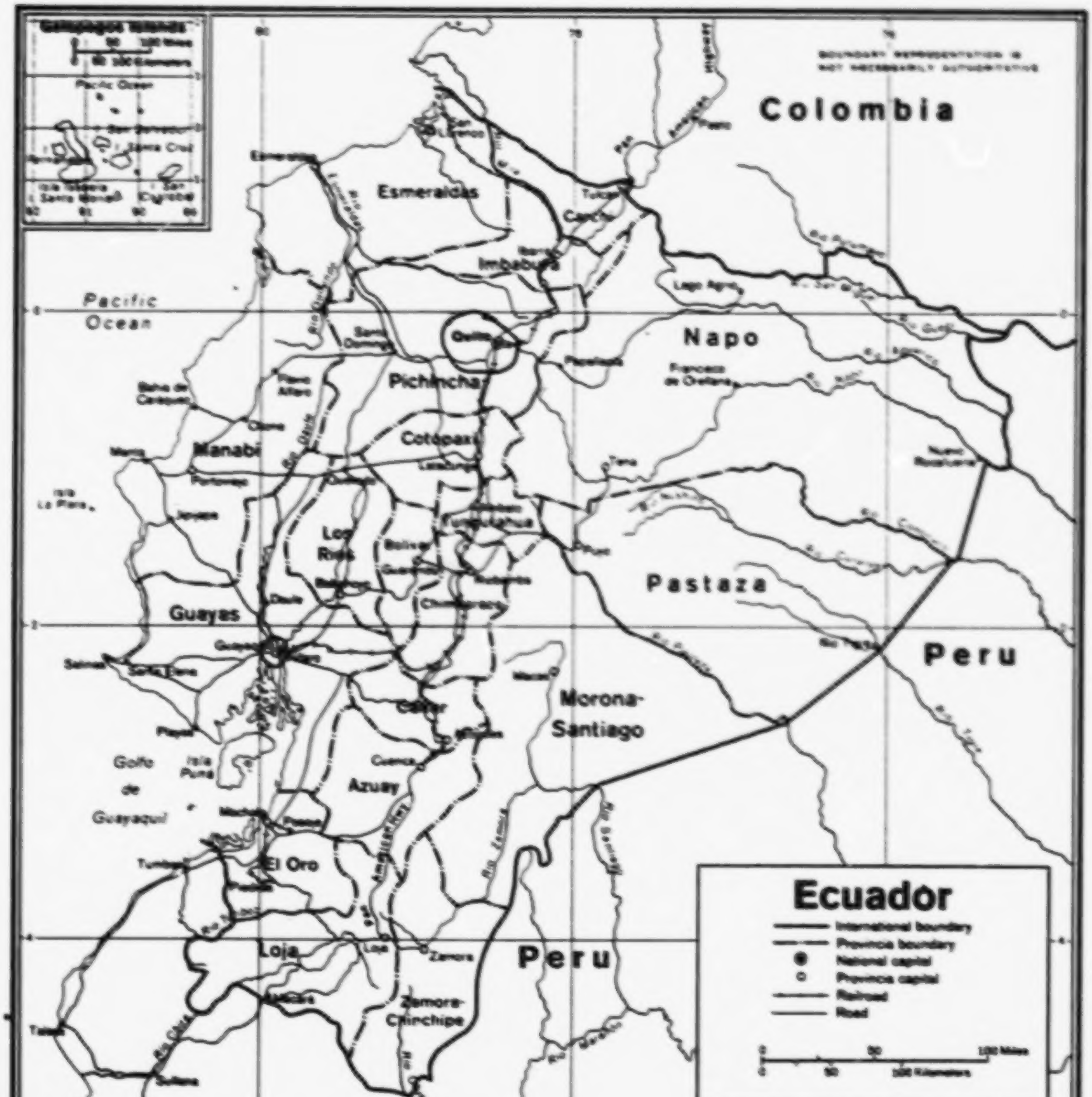
5. Female Volunteers reported resistance to their management and advisory roles in a society where these roles are traditionally held by males, especially the underlying belief that women cannot run a business.

6. Volunteers reported a need for extended service periods because the first three to twelve months are a period of orientation before beginning to function at peak efficiency.

Elements of Successful Programming

1. The Cameroonian Government strongly supported this program from the beginning.

2. Volunteers appeared to be successfully integrated into the bureaucracy, though government officials sometimes criticized Volunteers for not taking the report writing aspect of their jobs seriously enough.


Galapagos Islands
Pacific Ocean
Santa Cruz
San Cristobal
Colombia
Boundary representation is not necessarily authoritative
Esmeraldas
Tulcan
Carchi
Imbabura
Lago Agrio
Pacific Ocean
Quito
Napo
Pichincha
Francisco de Orellana
Manabi
Cotopaxi
Latacunga
Tungurahua
Los Rios
Bolivar
Guaranda
Riobamba
Chimborazo
Puyo
Pastaza
Guayas
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Santa Elena
Peru
Macas
Morona-Santiago
Cañar
Cuenca
Azuay
Golfo de Guayaquil
Isla Puná
Machala
El Oro
Tumbes
Loja
Zamora
Zamora-Chinchipe
Peru
Talara
Sullana
Ecuador
International boundary
Province boundary
National capital
Province capital
Railroad
Road
0 50 100 Miles
0 50 100 Kilometers

CASE STUDY: ECUADOR

Country Background

Traditionally, Ecuador was an agricultural economy, exporting bananas, fish products, cocoa, coffee and sugar, but by 1981 Ecuador found its economy dominated by crude petroleum, 61 percent of all exports.

The petroleum boom has resulted in improved roads and railroads, and greater exploitation of the eastern section of the country, the Oriente, as well as a more diversified economy. Other major industries include food processing, textiles, chemicals and fishing. Yet, the economy has stagnated recently as demand for petroleum, coffee and cocoa has dropped. Government austerity measures are designed to compensate, but at a high political cost.

Economic problems can have political consequences in Ecuador. Chronic underemployment and wide disparities in income distribution contributed to the downfall of more than 20 governments between 1950 and 1972.

The President serves a five-year term and cannot be reelected. He appoints the cabinet and provincial governors, initiates the budget and controls the military. The 1978 constitution guarantees democratic rights to all 14 political parties.

Encouraging small- and medium-scale enterprise has not traditionally been a priority for the Ecuadorean government. It has only been fairly recently that planning officials have become aware of the advantages of action-oriented, substantive programs and legislative incentives for small entrepreneurs and their enterprises. Growth and increasing diversification of Ecuador's economy have also opened opportunities for small- and medium-scale business.

Peace Corps Programming in Small Enterprise Development

FECOAC

In 1963, 26 Volunteers were assigned as *"field staff"* with various credit unions under the umbrella of the newly created National Federation of Cooperatives for Savings and Credit (FECOAC). These Volunteers were stationed throughout the country, primarily chartering new credit unions and working in accounting. Four more Volunteers were assigned to FECOAC headquarters in Quito to work in accounting and auditing, public relations, statistics, education and publications.

A second group arrived in 1965 to work with FECOAC. By 1966, nearly 40 Volunteers were working in the project, although by this time most were assigned to cooperatives concerned with agricultural production credit. A later group of Volunteers served on the staffs of individual credit unions in FECOAC.

This pattern continued through 1968, but programming with FECOAC ended in 1971 when the last of those Volunteers completed service. According to a 1983 Peace Corps Memorandum, the project was terminated because the host agency expressed dissatisfaction with the technical skills of the Volunteers. The memo adds that the *"agency lament was that you cannot work with farmers, even (in) business aspects, unless you have a sensitivity to and knowledge of farm practices."*

Small Business Program

In 1972, Peace Corps launched a *"Small Business Program,"* assigning approximately 20 Volunteers to the National Polytechnical University, the National Federation of Small Industries (FENAPI), and the Center for Entrepreneurial Development (CEFE). They worked with Ecuadorean counterparts (final-year industrial or chemical engineering students) as advisors to

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN ECUADOR

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Cooperative Development		Provide technical assistance to 20 cooperatives.	7	9/1970
Small Business (B-1-1)		1) Teach small industrialists the value of technical assistance through demonstration and practical results; 2) help strengthen those organizations that work to benefit the small industry sector; 3) help make small industries credit worthy and better able to face competition from other Andean-Pace countries.	11	1/1974
Cooperative Management Assistance (B-2-1)		Provide assistance to individual cooperatives in Ecuador in the areas of administration, accounting, production and management.	9	1/1974
Small Business (D-1-2)		Aid in the development of an effective nationwide technical assistance program for small businessmen and the industrialists in order to: 1) teach small industrialists the value of technical assistance through demonstration and practical results; 2) strengthen those organizations that work to benefit the small industry sector; 3) help make small industries more credit worthy and competitive by a) providing technical assistance to at least 40 small industries per year and b) continue cooperating with government and private agencies.	12	1/1976

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN ECUADOR (Page Two)

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Small Business Assistance (518-A9)		Promote interest in receiving technical assistance among 1,800 small industrialists and give assistance and training to 150 who lack skills in the areas of production, marketing, credit, management and accounting and assist the National Federation of Small Industrialists in the design and completion of studies to provide information to its members.	10	9/1978
Small Business Assistance (518-A8)		Assist in various aspects of business management.	9	3/1979
"		None	?	3/1980
"		None	2	1981
"		None	?	1982

small businesses. These interdisciplinary teams addressed major problems related to accounting, marketing, production and financial management.

The program focused on industries in the four major urban centers. Principal goals of the program included:

- Helping small industries provide more employment through expanded production and marketing;
- Raising income of both owners and employees through improved operational and management structures;
- Encouraging new industries and expanding existing ones;
- Identifying problems peculiar to small industries in order to propose solutions; and
- Helping create viable mechanisms at the national level to provide technical assistance to small industries on a long-term basis.

At the request of the Minister of Industries, five Volunteers assigned to the project also collaborated on an evaluation that was published in 1978 as *"Development of Small Business on Ecuador."* The publication included data such as the number of small industries, manpower, capital involved, sources of credit, and laws and regulations governing small business.

Through a special arrangement with the Economic Development Bank, the project provided 150 small businesses with training, credit and guidance. With the sponsorship of the Economic Development Foundation, the project established two demonstration centers to put into practice selected methods for providing technical assistance in management to small business. Some preliminary contacts were made with provincial Chambers of Commerce to explore possibilities of cooperation before the program was phased-out in the late 1970s.

Commenting eleven years later on the program, the Peace Corps/Ecuador staff noted:

> Initially, Peace Corps Volunteers received enthusiastic cooperation from most agency executives and members. Records show that more than 2,000 small industrialists received courses and seminars in accounting procedures, marketing and production techniques. For reasons not documented, the enthusiasm was apparently short-lived. With the exception of the Association of Small Industrialists of Guayaquil, interest in Peace Corps Volunteer technical assistance efforts soon began to dwindle. Peace Corps Volunteers consequently soon found themselves spending too much time in the unidimensional task of writing articles for the Association magazines to generate interest in the goals and benefits of technical assistance in the aforementioned areas. After approximately four years of many attempts by Peace Corps and few results, the Country Director decided to phase-out the program in about 1978.

By the end of 1979, no small business Volunteers were being requested, apparently because of diminished interest on the part of local business associations.

Revised Small Business Plan

In 1982 and 1983, negotiations were again opened with FECOAC, FENAPI and local Chambers of Commerce concerning small business technical assistance programming. The fact that some of the Volunteers' functions were similar to those of earlier programs led the Peace Corps staff to wonder *"whether or not we are reinventing the wheel."* Planning for the new program, however, was comprehensive in response to criticism that the old program *"lack[ed] . . . continuity or uniformity in its methods, goals and philosophy."* (Consultant Report, 1968-69)

The revised small business program is still too new to judge its performance, but the content and implications of the extensive planning document warrant attention. Programmer A.G. Blayney, in a 1983 project plan, *Small Enterprise Development: Project Description and DOW for Training*, noted that most small Ecuadorean industries in the 1970s did not properly appreciate the need for knowledge and application of modern accounting, pricing, cost analysis, tax laws and fiscal management in general. Blayney concluded that the increasing sophistication of the economy made these capabilities and services even more imperative.

Blayney proposed that Volunteers provide such services, but only if they, themselves, were better prepared professionally than their predecessors. The document recommended that Volunteers possess a degree in business administration in addition to some practical experience.

The *"spotty success"* of previous Peace Corps efforts was attributed *"principally to Peace Corps Volunteers' and sponsoring institutions' expectations being at variance."* To lessen this problem, close coordination in program planning and design was recommended.

FENAPI

The renewed program at FENAPI started on a positive note, with FENAPI asking for a Peace Corps Volunteer in each of its 16 provincial affiliates. After numerous discussions, it was decided to place Volunteers initially in three provincial Chambers of Commerce where they would report directly to the local chamber president.

FENAPI and the Peace Corps, in cooperation with a local research foundation (Instituto de Investigaciones Socialos Economicas y Tecnologicas or INSOTEC) developed a work plan for the Volunteers. Local entrepreneurs were also included in the planning process. Peace Corps Volunteers were scheduled to work in the following fields: administration and organization, cooperative development, financial planning and analysis, or accounting systems analysis and reorganization. INSOTEC agreed to integrate the Volunteers into its research and technical assistance efforts.

ICE

As part of the revised small business program, the Instituto Cooperative Ecuatoriano (ICE), a private cooperative development body whose objective is to aid rural coops in the design and implementation of training programs, technical assistance and research, requested four Peace Corps Volunteers annually. These Volunteers were scheduled to work in the Institute's Training Department in such areas as business administration training for coop leaders, development of income-generating activities for coops, development of training materials, and financial and administrative troubleshooting. These functions are similar to those of the earlier coops projects except that they are housed in a centralized training and technical assistance facility.

FECOAC

Programming with FECOAC was resumed on a small scale, with Peace Corps Volunteers assigned as assistants to Senior Consultants in FECOAC's new Technical Assistance and Training Consulting Department. According to Blayney's plan, *"FECOAC hoped that in addition to carrying out specific assignments with the Senior Consultant/Employee of FECOAC, the Volunteers would be able to remain within a given community and follow-up on specific needs analysis, carry out studies, implement plans of action, or develop manuals of credit, etc."* FECOAC's 148 members represent approximately one-third of the coops in Ecuador. Member coops receiving assistance from the Training Consulting Department are charged for all direct and indirect costs.

Other Groups

The following counterpart groups in the new small business package were each targeted to receive one Volunteer:

- Ecuadorean Development Foundation,
- the Centro del Muchacho Trabajador (CMT), and
- the Companeros de las Americas del Ecuador (in Quito).

Each Volunteer was assigned to tasks such as job counseling, management assistance to small enterprises, contacts with the business community, training, project coordination, and screening and presentation of new project ideas to the boards of directors.

AID contracted a second study from Arthur Goldberg Associates of New York. The Goldberg group was more optimistic, predicting the possibility of $5 million in sales in the fifth year of promotion. On the basis of this report, AID helped the Ecuadorean government to set up the Central Office for Export of Products of Artisans (OCEPA) under the Ministry of Commerce and Industry.

The New York firm of Scherr-McDermott was contracted to handle the merchandising for the artisan coops, and the Cooperative League of the USA (CLUSA) was contracted to provide technical assistance to the coops.

Peace Corps Volunteers were brought into this project to identify potential producers and coops and to provide basic, on-site technical assistance or guidance. Another organization, U.S. Crafts Marketing, provided expert technical assistance to the Volunteers and their groups, especially on product improvement.

A review of the Peace Corps program records for 1963-1968 shows that Volunteers were rarely selected and often not trained to match the needs of a specific job in a specific site. With little or no pre-existing information or network, the early Volunteers defined their own jobs and located artisans in or near their host communities. During the first three years, much of the work on the artisan project was done by Volunteers with other primary assignments; only a handful were recruited specifically for the project.

Discord developed when Volunteers advising production of *"culturally authentic"* artifacts clashed with OCEPA's marketing personnel who wanted more emphasis on quality, uniformity and salability. Meanwhile, the products gathered dust in warehouses, unsold.

In 1966, Peace Corps/Ecuador requested 16 additional Volunteers for the project--ten with artistic skills and six with cooperative or business skills. They received 18 with artistic backgrounds and 12 with business skills.

OCEPA was simply not prepared to utilize such large numbers. The organization, suffering cuts in personnel and budget, had decided to concentrate on marketing. It dropped the coop production program and closed local retail outlets. Consequently, 30 Volunteers had no job when they arrived. One Peace Corps consultant stated that the additional Volunteers were supplied *"to meet D.C. guidelines*, thereby *threatening a basically sound program like [Peace Corps' work with] OCEPA."*

Nevertheless, the boundless energy and initiative of the *"surplus"* Volunteers led them to organize an export marketing group, *Andean Products*, and a retail store, both of which increased sales of local products at higher prices, resulting in an increase in the producers' standard of living.

There were some complaints from OCEPA (and AID) of direct competition. While that was probably overstated, it was true that Ecuador's fledgling handcraft industry experienced confusion over having two U.S. government-supported marketing organizations.

Despite these problems, OCEPA requested seven more Volunteers in 1967. All were recruited from arts background. Yet, when these Volunteers arrived, overall marketing conditions were rapidly deteriorating. In mid-1967, a Peace Corps Program Memorandum noted that the collapse of the Panama hat industry had led to virtual *"stagnation of cottage industry development and marketing."* By late 1967, OCEPA had run into such financial difficulty that it was forced to discontinue support to most Volunteers. The total number of Peace Corps Volunteers working in the project declined from 30 in 1967-1968 to 20 to 1969-1970. After that, OCEPA received no more Volunteers.

Despite the acknowledged obstacles, Peace Corps/Ecuador had continued the arts and crafts project for seven years. A PC project report called the project *"our most important effort in helping to develop cottage industries, as it involves working directly with the artisans in a cooperative movement that helps bring in money from outside the country."* The Peace Corps saw it as a self-help community development effort with the objective of creating jobs and generating extra income. And, indeed, the project served an impressive number of clients. By the late 1960s, more than 20 artisan groups with 600 members had been helped, 300 artisans had been formally trained in quality control techniques and 1,500 families had benefited directly.

These clear signs of success were tempered with problems which limited the hoped-for export improvement. Antiquated production methods, varying levels of quality, and low productivity continued to hinder the artisans who lacked management and accounting skills. A continuing complaint was that too many Americans were involved in the project, leading to the criticism that OCEPA, with 45 Americans and 24 Ecuadoreans, was aimed at *"Yankee* *exploitation of Ecuadorean handicrafts."* It is interesting to note that the long list of problem areas did not include the lack of such vital items as adequate attention to market analysis, information on product acceptability and established sales networks in buyer countries.

Arts and Crafts Program

The U.S. Agency for International Development contracted with the Stanford Research Institute (SRI) in 1963 to conduct a study of the outlook for producer coops among artisans. The products, which were not being marketed competitively, included items such as wood carvings, woven wool tapestries and rugs, straw hats and figures. The SRI report counseled AID to proceed slowly in this area.

Project Experience

The following accounts of the work of individual Volunteers in business-related activities include examples from both the formally recognized Small Business Assistance program and a number of smaller secondary projects initiated by the Volunteers themselves. Together they provide a representative view of the kinds of assistance Volunteers offered small businesses in Ecuador as well as some of the problems common to these small business projects.

Cooperative Agribusiness: Intensive Poultry Raising (1980-1982)

The chicken-raising project in El Progresso was initiated by a Volunteer as a response to a difficult environmental situation. While working primarily with community women as a home extensionist, the Volunteer became aware of the problems caused by a near drought during the normal rainy season. The traditional rice and coffee crops were failing.

The Volunteer began to investigate poultry raising as an alternative. Since chickens are not as dependent on large amounts of water as are crops, they offer a viable crop diversification as well as an improved food source for the families that raise them. Many of the community members already owned chickens, but were not familiar with the benefits of improved practices for feeding, housing and marketing them.

Three community members formed a cooperative to raise chickens intensively for both home consumption and sale. The Volunteer was responsible for the primary project design. The host country participants, as local residents, knew where to purchase chicks, feed and other necessary supplies and helped in determining operating costs. Since chickens were a traditional domestic food source, the project did not encounter any major cultural constraints. During the training program in Costa Rica at the beginning of her assignment, the Volunteer had been introduced to poultry-raising so she brought some general knowledge to the project and relied on reference books for additional help. The regional Peace Corps staff was aware of the project and provided moral support. The Volunteer herself loaned the cooperative the $100 capital investment required to purchase chicks, innoculations and feed. Two hundred chicks were purchased and raised in coops at the home of one of the members. The other members agreed to share the feeding and care chores and take the eight-week old chickens to the capital city to be sold.

The project had completed only one full production cycle by the time of the Volunteer's departure. Based on that limited experience, however, the experiment was successful. In fact, the chickens were sold to a market in the local area so that they did not have to be transported to the capital. The Volunteer was reimbursed for her initial loan, and the remaining proceeds were reinvested in a new batch of chicks. The cooperative members each received some of the chickens for their personal use.

The experiment became a topic of community interest, with many of the townspeople stopping by the coops to see how the project was doing. With the successful completion of the first cycle, the community saw that the special feed and control efforts in this project had resulted in a better product and offered a relatively easy way to earn additional income.

Problems concerning the delegation of duties did arise, the preponderance of the work falling upon the member at whose home the chickens were kept. According to the Volunteer, explanations of how a cooperative is supposed to operate were graciously received by members, but such suggestions had little actual effect on their accepting equal responsibility for the project.

Though this project exemplifies microbusiness on a very introductory scale, the basic skills needed to operate a business were sufficiently present among the coop members to predict some degree of continued success, except for financial accounting abilities. That seems to be a common weakness among many Ecuadorean small businesses and one which other Volunteers within the Small Business Assistance project were addressing.

Production Small Business: Bakeries
(1981-1983)

As part of his primary assignment with the Ecuadorean Small Business Association, the Volunteer involved in this project advised and assisted small businessmen and helped start several new cooperatives among the Indian population. He was assisted by the Ecuadorean Cooperative Institute, a nongovernment agency.

In one of the many projects undertaken by this Volunteer, three cooperative groups were organized to supply the local market with bread.

Villagers in the area frequently traveled to larger cities to purchase bread. Since the trip involved both time and expense, the villagers brought several loaves at a time and stored them at home. The bakeries established by the cooperatives offered the benefits of convenience and freshness by producing and selling bread locally.

According to the Volunteer, both men and women worked in the bakeries, but men were more dominant in decision making. The community members were closely involved in the planning; the Volunteer's role was to guide decision making and acquire start up capital. The production, quality control, distribution and marketing expertise within the group were good, with adequate management and financial accounting capabilities. The members agreed not to receive salaries during the first year, but to share the profits.

The bakeries project was launched with $1,500 in capital provided in part by USAID. Each bakery received $500, and the money was tracked by an accountant. Each bakery produced 800 to 1,000 loaves per week, with a total of 20 coop members involved.

Initiated in March, 1982, the project was still operating successfully in mid-1984. It provided income and new employment in the communities and encouraged community members to work together. There were problems, of course. Religious differences created divisions among the staff members. Projecting a budget was difficult given the dramatic inflation rate; over a two-month period, for example, the cost of flour increased by 50 percent. Nevertheless, the cooperatives were able to supply baked bread at a price comparable to or less than city prices and were therefore able to identify and maintain a market.

In an interview conducted for this study, the Volunteer identified a number of programming problems that affected his work:

- This Volunteer was the only Volunteer assigned to the Ecuadorean Small Business Association. As an *"Individual Placement,"* he felt he basically had to train himself, although the Peace Corps staff was both helpful and supportive. The Associate Peace Corps Director in Ecuador had an MBA degree and was very willing to assist the Volunteer; his time was limited, however, since he was responsible for several hundred Volunteers.

- The Volunteer found that, as an American, he was often seen as the *"money man"* and was sought out for his ability to gain access to funds.

- The amount and type of external assistance provided by international agencies and foundations presented another major problem, according to the Volunteer. Grants made by such organizations as USAID created a disincentive to the operation of responsible small businesses. Too many organizations were giving away money *"to help people"* when a loan program would have encouraged better fiscal responsibility and self-support. In fact, a new group of professional grants-persons sprang up who spent their time and talents applying for and receiving financial grants rather than operating projects. Thus, the Savings and Loan Credit Union program established by the Small Business Association was not widely supported because of the numerous competing options which did not require repayment of funds.

Service Small Business: Toll House
(1981-1983)

This project involved providing a service that was not traditionally found in the culture, but nonetheless it was accepted as a source of income and employment for the community. The project aimed to construct and operate a toll house, charging produce and water tank trucks for the use of the community's facilities, especially the community well. During drought periods, tank trucks frequently filled up at the community well and transported the water to other communities.

Community leaders and the Volunteer planned and implemented this project together. The Volunteer's primary initial role was to obtain the $100 capital required. With the assistance of the Associate Peace Corps Director, he drafted a funding request to USAID on behalf of the community leaders; the World Food Program provided foodstuffs as part of its labor compensation program.

The community leaders chose a site, used the capital funds to purchase the needed materials, and provided the labor for the construction of the tollhouse. Good management and financial accounting skills existed within the community as did a talented construction force of six. Construction took two months, with the Volunteer organizing the work parties.

The project ultimately provided two new jobs within the community (toll house operators) and new income to the community from the tolls. At the time the Volunteer completed his tour, the toll house was ready to begin operation. Decisions had not yet been made by community leaders on how to regulate the operation, who to charge, and at what rates. However, the Volunteer was later informed that the toll house was operational.

The major problems were weather-related; for example, the main road was not in good shape because it had been heavily damaged by a recent storm. Another potential problem was the lack of a community police force to enforce rates in case of noncompliance.

Yet, the community viewed the project as successful. They demonstrated pride in the completed structure and were positively motivated by the outcome of their community venture. Community leaders were surprised and delighted to find a source of external funds to initiate community income generation projects.

Financial Services: Business Accounting
(1977-1979)

The Volunteer was assigned to the Ecuadorean Small Business Association, 1977-1979, to help meet a need for accounting skills in local businesses. At the time, a large percentage of Ecuadorean small businesses did not keep financial records. Family-owned businesses often combined the owner's personal and business activities to such an extent that no separate record of business finances existed. The tax collector simply tallied sales made on the day of his visit and recorded it as the average daily sales from which to project the annual taxable income.

On behalf of the Small Business Association, the Volunteer organized and implemented a program designed to provide cost-effective bookkeeping services. The plan was to organize groups of five businesses, with each business paying the equivalent of US $40 per month for bookkeeping services one day a week. The bookkeeper serving these businesses could thus earn US $200 monthly, a very good wage in Ecuador.

Graduates from a local bookkeeping school provided a pool of trained manpower for the program. The Center for Ecuadorean National Association for Business provided transportation so that the Volunteer could reach the smaller cities to organize the business groups. Businesses which met the basic criteria for involvement in the program were those with at least nine working members, producing a product by machine, and with at least US $125,000 invested. Thus, the target businesses were small, but not marginal.

The Volunteer had major problems convincing small manufacturers of the need for bookkeeping assistance. Many were afraid that more accurate records would result in greater taxation. They could see little benefit to themselves in articulating the financial condition of their businesses.

At the end of his tour, after 14 months of effort, the Volunteer reported that the project was not operational. Although financial accounting is considered a basic business standard in the United States, it is not a traditional activity in Ecuador. Consequently, the project encountered considerable resistance as a radical departure from local business customs.

Credit Union Advisory Assistance
(1983-1984)

Peace Corps Volunteers were involved with credit union activity in Ecuador on both the national and local level. The National Federation of Credit Unions of Ecuador (FECOAC) was established in the mid-1960s with the assistance of the Peace Corps, USAID and the U.S. Credit Union National Advisory (CUNA). The Federation also received funds from the Canadian International Development Agency (CIDA), the Confederation of Latin American Credit Unions, and other foreign assistance programs. With this considerable international support, the Federation has remained financially solvent despite operating deficits in 1983 and 1984. It has even created a Cooperative Bank with millions of dollars in assets as a spin-off.

Peace Corps involvement with FECOAC began in the mid-1960s, was discontinued in 1971, but was reinstituted in the late 1970s.

One Volunteer in this project, who had a degree in business/finance and accounting experience, was originally assigned to the National Federation to provide advisory services to local credit unions. At the time the FECOAC was having difficulty tracking activities in its member organizations. For example, it had no valid statistics on losses or rates of delinquency. Nor were there effective methods for rewriting and recouping loans. It was working to improve services to its member credit unions, particularly in the revision of operating policies to allow changes in the loan rates. Inflation was running very high, and many credit unions were getting caught in a financial pinch by rapidly increasing internal expenses and fixed loan returns.

The Volunteer's first assignment was to conduct a financial study/evaluation of a local 7,000 member credit union. However, a shake-up in the Federation hierarchy occurred while the Volunteer was completing the study, and it was subsequently shelved. The Volunteer then suggested publishing a periodic newsletter to expand member services. The suggestion was accepted, and the Volunteer published several articles in the publication that resulted.

The major problem the Volunteer reported in an interview for this study was the difficulty of understanding technical jargon in Spanish. With highly educated counterparts in a specialized financial field, conversing in technical language required specialized language training. By taking courses at a nearby university, he felt he was approaching sufficient technical language competency by the end of his tour.

On the plus side, the Volunteer indicated that he had received excellent advice from the Peace Corps Program Director regarding assistance in locating various resources.

This Volunteer's effort was part of a long-range effort to make local credit unions more efficient. Therefore, it is important to identify successes in smaller terms. The institution of the newsletter was an effective step in providing an organized means of reaching all the local credit unions.

Creating an attitude of trust among the local credit unions and some of the national staff members not only led to acceptance of this Volunteer by the staff but had a positive impact on agency perceptions of Peace Corps as a whole. The Federation demonstrated a renewed interest in Peace Corps assistance as a result of this Volunteer's work and requested another Volunteer upon his departure.

Training

Although it has not been possible to construct a comprehensive picture of training for business Volunteers in Ecuador, two points were raised by a number of Volunteers and staff interviewed for this study:

- Language training should be supplemented with training in the vocabularies of small- and medium-scale industries or businesses. The need for this supplemental training varies according to project. Volunteers working with poorly educated, relatively unsophisticated entrepreneurs do not need as extensive a business vocabulary as does a Volunteer working with government bureaucrats and the highly educated business elite. In the latter case, Volunteers often need to be able to converse in Spanish at an MBA level.
- Secondly, Volunteers often provide support to a variety of income and employment generation activities even though these projects are not part of their primary assignments. Therefore, almost all Volunteers could benefit from an introduction to basic business practices including market analysis, simple bookkeeping principles, and cost and pricing procedures.

Program Notes

The following list was garnered from written documentation and Volunteer interviews covering twenty years of Ecuadorean experience:

- It has often been difficult in the past for Peace Corps to recruit the technically experienced Volunteers required for planned projects. In small enterprise development, scarce skills often include both a knowledge of and experience in modern accounting, pricing, cost analyses, tax law and fiscal management, and marketing. For agribusiness projects, SED also requires a knowledge of farm practices. The lack of these skills in Volunteers led to host country dissatisfaction with Peace Corps assistance in the early days of PC/Ecuador's SED program. However, this criticism was not made of more recent Volunteers. Evidence from other Peace Corps documents suggests

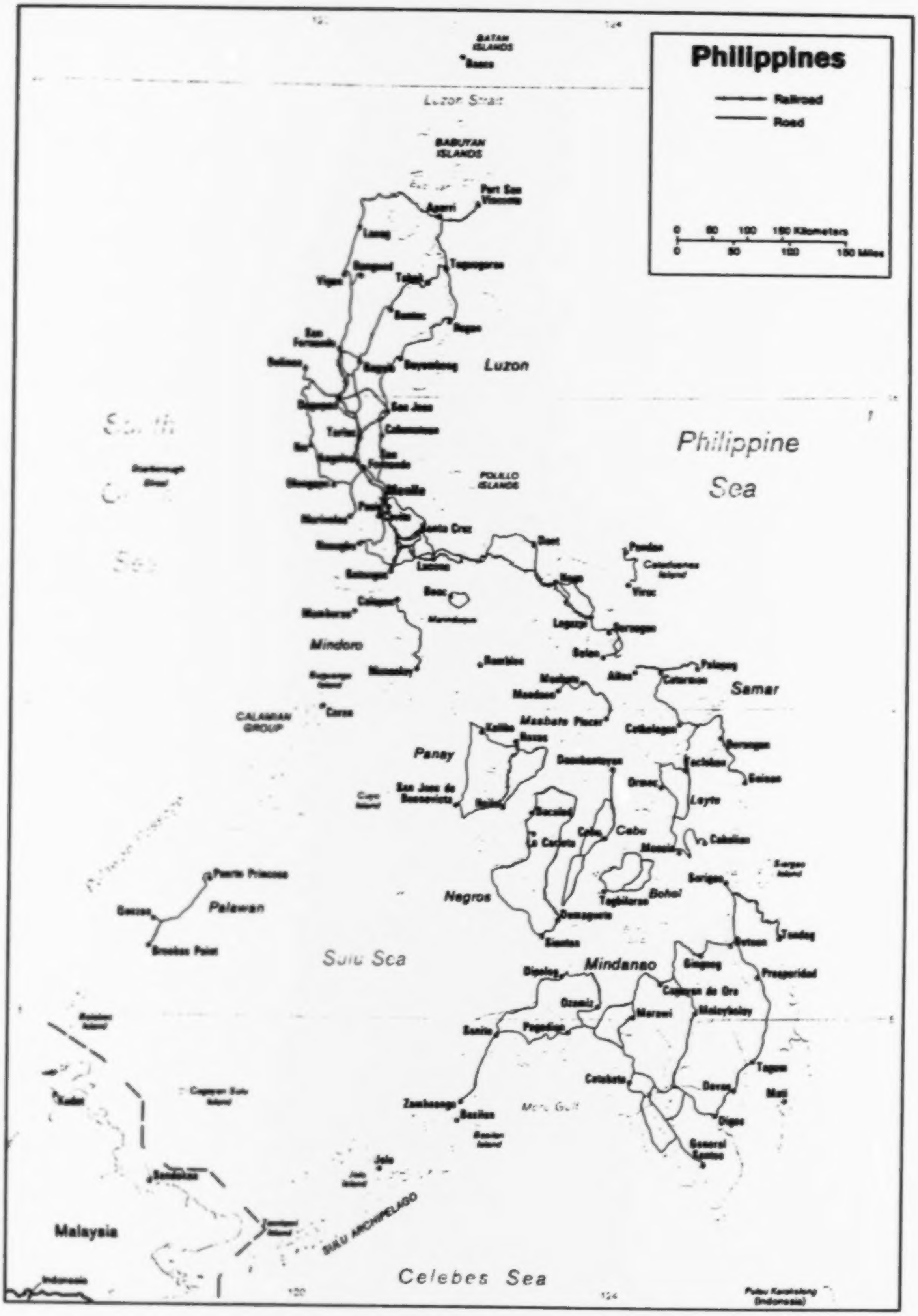
Volunteers with required business skills are more available today.

- When Volunteers are placed in a technical position where they work with highly educated counterparts, a more specialized technical vocabulary in the foreign language is required.

- Volunteers are often perceived by their host communities as having special access to sources of funding for projects. In fact, they are often able to obtain the seed money required to launch small enterprises more easily than is sometimes possible for the members of their communities. This is a valuable role for Volunteers, but if not handled carefully, can lead to dependency for the community rather than self-reliance. The difficulty of this role is heightened by the easy availability of grant money for SED projects from a wide variety of international development organizations. At least one Volunteer felt that loan programs would better serve to encourage self-sufficiency and responsibility in small business projects.

- Like all Volunteers, those providing assistance to small business must both work within the limits imposed by the host culture and respond to what project participants feel to be their real needs. Volunteers working to provide bookkeeping services and other kinds of direct assistance to small businesses in Ecuador often found their clients could not see the benefit of such services and, in fact, regarded them as a threat. In part, this was due to the lack of a cultural context for strict financial accounting and other practices considered standard in U.S. businesses. But problems may also have arisen from a lack of local participation in the initial stages of project planning (for the Small Business Program, for example).

- Volunteers can provide valuable assistance to small enterprise through their participation in secondary activities, especially those related to small-scale agribusiness. This is often because they are able to establish and make use of a network of contacts for both financial and technical support. Yet, due to their own lack of business training, these Volunteers often find it difficult to assist their communities' newly formed enterprises with some of the essentials of business operation--accounting, pricing or marketing, for example. Supplementary training in basic business skills would allow these Volunteers to be much more effective in providing opportunities for income generation in their communities.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San Fernando
Baguio
Bayombong
Luzon
Dagupan
San Jose
Tarlac
Cabanatuan
San Fernando
Olongapo
Manila
POLILLO ISLANDS
Santa Cruz
Batangas
Lucena
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Sorsogon
Virac
Calapan
Mamburao
Mindoro
Boac
Marinduque
Romblon
Masbate
Catarman
Samar
Calbayog
Borongan
Tacloban
Guiuan
Leyte
Ormoc
Panay
Kalibo
Roxas
Iloilo
San Jose de Buenavista
Bacolod
Cebu
Negros
Dumaguete
Tagbilaran
Bohol
Surigao
Butuan
Puerto Princesa
Palawan
Brookes Point
Sulu Sea
Mindanao
Dipolog
Ozamiz
Cagayan de Oro
Malaybalay
Marawi
Pagadian
Zamboanga
Basilan
Cotabato
Davao
Digos
General Santos
Mati
Tagum
Prosperidad
Tandag
Jolo
SULU ARCHIPELAGO
Sandakan
Malaysia
Indonesia
Celebes Sea
Moro Gulf
Philippine Sea
South China Sea
CALAMIAN GROUP
Coron
Pulau Karakelong (Indonesia)
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CASE STUDY: PHILIPPINES

Country Background

The Philippines gradually achieved autonomy from the United States through a series of bills culminating in independence on July 4, 1946. The country has been ruled by President Ferdinand Marcos since 1961. Legislative power rests in an elected unicameral National Assembly of up to 200 members. Philippine political life and political parties are active, but characterized by factionalism and corruption. The country is divided into relatively autonomous provinces, municipalities and chartered cities. Barangay self-help organizations play important roles in providing basic community services.

Still primarily an agricultural nation, the Philippines devotes half of its cultivated land to two subsistence crops--rice and corn. Forest products are also an important economic resource. Coconut products and sugar, until recently major exports, have fallen in price and tonnage with serious consequences for plantation agriculture and employment, particularly in the south.

The country's manufacturing sector, heavily dependent on imports, now accounts for 25 to 30 percent of the Gross Domestic Product. The economy is also heavily dependent on foreign trade and mining. During the 1970s, the economy grew at an average rate of 6.2 percent, but growth declined sharply by five percent in the first half of 1984.

Wages have not kept pace with inflation, resulting in lowered domestic purchasing power and increased international competition. There is an enormous disparity in income, reflected in most aspects of the physical, social and political environment. An estimated 80 percent of the population lives near or below the poverty level, while the richest five percent control one-third of the country's wealth.

Concern about the stability of the Marcos government has dampened investment in recent years. A severe drought in 1982-1983 depressed agricultural output. Budget deficits have been reduced by austerity programs mandated by the International Monetary Fund, but such measures have also reduced employment in such sectors as the construction industry.

The small business section is active, diverse and expanding. USAID is supporting a government program called Small and Medium Enterprise Development centered in the Ministry of Trade and the Philippine Chamber of Commerce and Industry. A significant portion of program funds are being directed at microenterprises. There are numerous private trade and business associations with active programs, although many still suffer from institutional and managerial weaknesses.

Peace Corps Programming in Small Enterprise Development:

Peace Corps has been heavily involved in the Philippines almost since the Peace Corps' inception. The first major effort focused on small enterprise development appears to have taken place in 1977 following a number of earlier related activities and projects such as cooperatives (see Figure 3).

Projects in small enterprise development have appeared under a variety of generic and specific titles including rural income development, small business advisory service, cooperatives, community development, small farmer income, general marketing and credit, and cottage industry development (see Figure 3). In late 1983, Peace Corps estimated that 10 to 20

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN PHILIPPINES

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Small Business Development (B-1-2)		Assist at least two Government of Philippines extension agencies improve the scope and quality of extension services to small entrepreneurs in nine regional centers throughout the country by 1983.	9	1977
Supervised Agricultural Credit		Assist 200 selected rural banks in priority areas throughout the Philippines design and implement a supervised agricultural credit program by 1984.	23	1977
" (492-A4)		Assist 200 rural banks design and implement a supervisory agricultural credit program for 9,000 small and subsistence farmers and fishermen by 1984.	41	9/1978
" (492-A4)		Increase the income of farm families by facilitating their effective participation in the Central Bank's Supervised Agricultural Credit Program designed to provide noncollateral loans with a package of improved technology.	30	2/1980
Small Farmer Income Generation (492-A4)		Same as above.	?	2/1981
" (492-A4)		None	30	2/1982
Small Business Assistance (492-A8)	1978	Assist 4,000 small- and medium-scale industries in the rural areas improve and upgrade their operations in regard to overall management thereby expanding employment opportunities and income generation for the rural poor by 1985.	12	9/1978

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN PHILIPPINES (Page Two)

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Small Business Assistance (492-A8)		Develop opportunities available to rural people for income generation through the enhancement of their entrepreneurial and managerial skills and their capacity for effective participation in the economic cycle.	8	2/1980
" (492-A8)		None	?	2/1981
Small Business Development (492-A7)		Generate, evaluate, release and supervise 590 small- and medium-scale business loans by 1983 while training 100 rural banks and savings and loan associations' staff in small business loan preparation and evaluation.	14	9/1978
" (492-A7)		As members of Central Bank Regional Loan Teams, explore and pursue opportunities for effective use of resources, inform and educate rural entrepreneurs on the availability of credit and develop managerial capacity of rural credit institutions.	13	2/1980
" (492-A7)		Same as above.	?	2/1981
" (492-A7)		Work with Central Bank Regional Teams, assist in project identification, justification, loan processing, client performance monitoring and management counselling for small- and medium-scale agricultural and industrial projects.	15	2/1982

ANNOTATED LIST OF PEACE CORPS SED PROJECTS IN PHILIPPINES (Page Three)

Project Name # If Provided	Start Year If Provided	Goal as Stated	Number of PCV's	Date of Documentation
Area Marketing Coops (492-C8)		Same as above.	6	2/1980
" (492-C8)		Same as above.	?	2/1981
" (492-C8)		Assist the Area Marketing Coops, Coop Rural Bank and Samahong Nayos (precooperative organizations) improve their effectiveness in identifying and meeting the needs of farmer members.	11	2/1982
"Competitive Enterprise/ Small Business"		"86 volunteers will be involved in this sector during FY 84." No other information.		1983

Volunteers per year were directly or indirectly involved in Philippine small enterprise development projects.

Most of the project activity has been connected with three frequently overlapping programming vehicles and ideals:

- Obtaining loans for small businesses, cooperatives or farmers;
- Providing technical assistance and general business advice to cooperatives; and
- Generating new or additional income for rural families or other economic groups.

In 1973, Peace Corps provided Volunteers to an experimental program designed to increase farm income through low-cost financing. As with many rural income enhancement programs, this long-term Peace Corps effort started with attempts to generate extra farm family income. The program evolved to include working with cooperatives, followed by more sophisticated financial assistance projects (such as the Central Bank program outlined below).

More direct involvement in small business activities can be seen in recent Peace Corps programs. For example, in late 1983, Peace Corps/The Philippines sent a Volunteer team of seven to a southern province to work in small enterprise assistance. Their activities, roles, tasks, problems and accomplishments were to be documented throughout the project. The programming staff planned to use that information to develop a program of assistance to be provided by Volunteers in the SED sector. They focused on SED as more than *"merely technology transfer and/or extension work,"* noting that *"understanding of small enterprise development in developing countries is only recently gaining depth."* The staff stated that successful projects in this field can *"altogether change a social map."*

Project Experience

Loans to Small Enterprises through the Central Bank

The largest Peace Corps SED project was implemented in cooperation with the Central Bank. The project involved arranging loans for farmers and small enterprises, usually in rural areas. Most Volunteers worked as members of Central Bank Loan Teams, conducting feasibility studies, identifying acceptable potential loan recipients and matching them with the appropriate funding source, arranging and facilitating loans and monitoring performance. Some Volunteers acted as promoters or public education officers improving access to the loan system for the rural population. They then expedited the paperwork through the bureaucratic hurdles which had previously discouraged their clients.

The project fulfilled a very real need. In the 1970s, over 1,000 rural banks existed to serve the credit needs of a generally poor rural farm population, but, for a variety of reasons, only one-third of the eligible farmers, entrepreneurs and coops were able to avail themselves of these services. Cooperative organizations, to which many farmers belonged, simply could not meet the needs of the population for credit for farm operations involving many different crops or for small enterprises in unrelated sectors.

In 1977, in conjunction with a US $36.5 million agreement with the World Bank, the Central Bank began to eliminate red tape and convince rural bankers that farmers and small businesses could be a good risk. Multicrop financing within a single transaction was also introduced to stimulate activity. In short, the Central Bank project provided a financing mechanism that cooperatives alone could not supply.

In 1984, Peace Corps estimated that approximately 2,200 individuals in 440 families in 11 communities had benefited directly from the project each year. Eleven thousand people in 24 communities had also benefited indirectly from the project. Assistance has not been limited to farmers; the project has also provided credit to handicrafts enterprises, wood product manufacturers, machine shops, warehouses, transportation services, grain mills, bakeries, iron works and agricultural machinery shops.

It is generally acknowledged that Volunteers have been instrumental in the success of the Central Bank project. In addition to providing the direct services cited above, Volunteers also helped clients with technical assistance in general management, accounting, marketing, member education and planning.

Peace Corps staff interviewed for this study felt that the role of facilitator and/or consultant was *"appropriate"* for Volunteers. Some Volunteers interviewed agreed, but others stated that the troubleshooter role was too broad and needed focusing.

Agricultural Marketing Cooperatives

Volunteers have worked for a number of years with Philippine cooperatives through a variety of vehicles, including business associations, government rural extension offices, farmer organizations and consumer stores. The most popular vehicle has been village- and provincial-level agricultural marketing cooperatives. USAID has also had several programs supporting the cooperative movement, and coordination between the Peace Corps and AID has been close and cordial.

Peace Corps assigned an average of ten Volunteers per year to this program. Frequently assigned as advisors, the Volunteers' initial task was to gain *"a fairly specific knowledge of all the means of subsistence as* *well as the market-oriented or commercial activities of the people in [their] community of assignment."* They were expected to use that acquired knowledge to work with the community/cooperative to improve *"its own internal effectiveness, its access to credit facilities and marketing systems, and its linkages with government and nongovernment support programs, resources and services."*

A Peace Corps directive also informed prospective Volunteers that *"you may have to assist in village level organization development, small farm or farmer business organization management/accounting, project development, equity and loan financing, produce marketing development and management training or performance evaluation."* In order to perform such a wide range of professional tasks, Volunteers were expected to have academic and/or working experience in business administration, marketing and agricultural pursuits. It appears that, by and large, Peace Corps was able to locate such people without undue difficulty.

The program generally received strong interest and support from a number of government agencies, although the response varied from area to area. In 1984, Peace Corps estimated that 7,400 individuals in 1,480 families from 37 villages directly benefited from the program, with another 37,000 individuals from 74 communities benefiting indirectly.

The nine Volunteers interviewed for this study were involved in such activities as rice coops, coffee product diversification, credit and banking, teaching business skills, guidance and counseling, general consulting, accounting, fertilizer and seed coops, and some community service.

The Volunteers reported that several programming issues affected their success on the job:

- Many of their clients had little faith in the government. The slow pace of development programming and the unfulfilled promises of government agencies lead to *"fatalistic," "Bahala na"* (leave it to God) or suspicious attitudes on the part of rural groups. Lack of cooperative spirit among rural groups was linked to the subtle problem of increasing confidence and getting people to discard the *"wait and see"* attitude.

- One Volunteer reported that *"the Peace Corps needs a much more focused approach, interlocked with other Peace Corps programs."* He added some counsel about programming in business--*"take one thing and strengthen it"*--and suggested concentrating Volunteers in one location so they could reinforce each other.

Small Business Assistance

The Small Business Assistance Program, encompassing a number of different projects, was officially launched in 1978, although there had been isolated cases of Peace Corps Volunteers who provided similar kinds of direct assistance to businesses during the previous decade. The Volunteers in this program served in a variety of Ministries and roles. But, by the early 1980s, the Volunteers were under the supervision of the National Cottage Industries Development Authority and were predominantly assigned to villages and small towns.

Eight to ten Volunteers with B.A.s in finance, business administration, management or marketing were assigned to this program annually for the first five years. Volunteer candidates with or without relevant work experience were accepted.

At the outset, the Ministry of Trade and Industry saw the program's goals as upgrading technomanagerial skills in small- and medium-scale industry, especially in villages and small towns. Originally small- and medium-scale companies were defined as those having assets of less than four million pesos (7.4 pesos=US $1) and between five and 99 employees. It was expected that client firms would cluster in food processing, small-scale manufacturing, machine and tool shops, transport and technical services. The goal was to create jobs, generate additional income, and increase and diversify economic output.

Volunteers were assigned to 12 **Small Business Advisory Centers** operated by the Ministry throughout the country in principal regional cities. Centers generally had a half-dozen consultants working under a Manager. Assignments included identifying entrepreneurs whose enterprises needed help and demonstrating to them the value of the Center's services. Volunteers either assisted the clients directly or put them in contact with the appropriate advisor. In effect, they were small-scale industry extension workers expected to be *"in the field"* roughly half of the time and using public transportation.

Peace Corps instructions to Volunteers in 1969 stated:

> Most of the clients you will work with will have moderately successful businesses, as the Ministry of Industry has targeted that group as the most likely to accept consulting services and believes the services will have a greater national economic impact. These entrepreneurs are normally well above average in income and sometimes education. You should recognize, however, that the problems of these businesses are usually very basic. Many have poor or nonexistent record-keeping systems. Most businessmen have no understanding of simple cash management practices. Work flow, materials handling, simple tooling and quality control standards are areas where engineering skills are severely lacking. At any one time, you may have from six to nine clients, and service perhaps 24 a year depending on the extent of services needed. You will also monitor occasionally those that have *'graduated'* as you enlist new clients. You will ordinarily be in the field 15 days a month with the balance of your working time in the office making reports and attending to other administrative details. Your performance will be evaluated on the same basis as your co-workers based on the number of clients you generate, the number that implement your recommendations and the net effect of the recommendations.

Similar instructions in 1981 noted the massive rural-urban migration to Manila, arguing that if the SED programs achieved their goals of generating income and *"income retention projects"* in the provinces, *"this would help ease the flow of people and resources to Manila."* The document also noted the great disparity among provincial areas, some experiencing rapid growth, while others suffered from *"a long history (of) little development."*

The document also instructed Volunteers to mobilize *"those resources already available which have not been delivered to the rural areas."* An interesting commentary asserted that this task *"does not require that the Volunteer be a highly trained or a very experienced person. It only requires that the Volunteer have enough patience to focus on very basic problems over a long period of time."*

Three of our respondents participated in this program--two in the late 1970s and one in the late 1960s. All three worked with craft enterprises, which is the trend the program eventually followed.

The first Volunteer started working with *"village potters"* in her community as a secondary activity in 1968. The Volunteer received assistance from the Japanese Overseas Cooperation Volunteers which provided a ceramic engineer to supervise building a new kiln. The Filipino counterpart was a vocational education teacher who had been trained in Japanese ceramics.

The purpose of the pottery project was to increase local production and sales of clay stoves, pots and other utensils. The Volunteer taught pottery production techniques and firing procedures under primitive conditions and gave technical advice on kiln construction and upgrading of the other equipment. While the Volunteer's involvement was primarily technical, she also helped the villagers improve their bookkeeping and management systems, and she performed valuable liaison functions in convincing a reluctant government to provide previously promised funds.

The Volunteer reported that personnel increased from 6 to 16 (80 percent women) during her association with the group. One of the local potters became manager of the enterprise. As of 1983, the Volunteer reported that the business was doing very well, having diversified production to serve a local market for building materials such as pipes and roof tiles.

Planning for the project was a group affair, conducted mainly in barrio meetings. Barrio leaders stated that it was the presence and forcefulness of the Volunteer that ultimately convinced the government to come through on its funding promises, the local people having little voice or power in such matters. The Volunteer noted that the barrio population *"became much more optimistic as time went on. Small successes along the way gave them confidence. I tried to build in tasks that would be positive."*

The Volunteer evaluated the project *"as a very real success story--because there were a variety of elements that came together at just the right time."* They included:

- The barrio people *wanted* to upgrade their industry (the prime factor in her opinion).
- The government had promised funds during previous election campaigns--she and her colleagues were able to bring these promises to the commitment stage.
- A ceramic engineer was available.
- There was a vocational education school nearby that could assist in the training.
- Resources (clay, etc.) were readily available, and the barrio was in a traditional pottery area.
- There were immediate benefits (increased production leading to increased sales and revenue) that the participants could see.

The other two respondents **secured loans** for various cottage industry enterprises through the Central Bank program. They also acted as business consultants to their clients in such matters as budgeting, bookkeeping and marketing. They developed a sense of responsibility for instilling confidence in the entrepreneurs with whom they cooperated. Both felt that the group for whom they worked would have been unable to obtain loans without their services.

Various Peace Corps documents made passing reference to **other cottage industry/handicraft projects** that received Volunteer assistance under the Small Business Assistance program, including a group of 30 squatter families in Manila that produced Christmas decorations, a bamboo handicrafts coop of 30 young people near Davao, several projects in the Bicol Region, and a US $700 project with the Handicraft Association in Davao that later earned a net annual profit of US $2,700 (a considerable sum in provincial Philippines).

Training

Numerous training approaches have been used by Peace Corps in the Philippines. In the early 1980s, an integrated approach combined the training of all Volunteers engaged in SED programs. The rationale for the integration was that *"this broad-based approach should give the trainees an exposure to the wider spectrum of income generation roles and functions that are necessarily undertaken by Volunteers at their job assignments."*

This approach was designed to alleviate one of the common Volunteer complaints of being isolated, both physically and programmatically. The trainers hoped that the approach would lead to better communications and

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"an enhanced sense of teamwork, an Income Generation Identity, and a comprehensive perspective of Peace Corps/Philippines endeavor."

The technical training covered a wide range of topics, but a number of Volunteers interviewed for this study felt that briefings on how Filipino businesses and business companies operate would have been more effective than the more theoretical instruction they received. The 120 hours devoted to business subjects were not rated as highly as the language and culture sessions; the Volunteers felt that the business sessions were taught as an academic subject without a cultural translation.

Program Notes

Peace Corps/Philippines has devoted considerable energy to developing SED projects. The principal intent has always been to increase rural income and employment, although numerous projects have also addressed the urban poor. Certain principles have emerged from this experience as Peace Corps staff over the years moved from generalized goals to concrete, practical business projects.

- Peace Corps programmers believed that the role of facilitator and/or consultant was "*appropriate*" for SED Volunteers. Some Volunteers agreed, but others stated that the troubleshooter role was too broad and needed focusing. In the project experience noted in this report, the Volunteers that were successful in defining their own situation and taking on the problem solving role clearly made a major difference in their communities.
- As was the case in Cameroon, an unavoidable problem for many projects was the fact that Volunteers worked through host government agencies which sometimes did not have the full respect of their clients. The only remedy was an additional dose of patience and diplomacy. Yet, those Volunteers who were successful in building trust with community members left a positive legacy for the development workers who followed them.

- Peace Corps/Washington had little difficulty in locating Volunteers with sufficient academic and/or working experience in business administration, marketing and agricultural pursuits for the Philippines program, in marked contrast to earlier efforts in Cameroon and Ecuador. Peace Corps/Philippines' SED programs began later than Ecuador's or Cameroon's, and Peace Corps has apparently become better over time at the recruitment of SED Volunteers.

- As in Ecuador, successful Volunteers were often in a position to bring technical and financial resources together because of their wider range of contacts. Networking is a skill that can be learned in training and passed on to community members as a part of the Volunteer's recognized role in building local self-reliance.

- Peace Corps/Philippines continues to examine its experience and try new approaches in this area in an ongoing attempt to identify effective programming strategies which match Peace Corps goals and capabilities. Information gathered as part of PC/Philippines latest SED effort should provide a wealth of project experience from which programmers can draw in the future.

CONCLUSIONS, PROGRAMMING CRITERIA AND RECOMMENDATIONS

Small Enterprise Development in Peace Corps

The Small Enterprise Development sector has encompassed a wide variety of programs and projects over the years. Activities related to small enterprise have ranged from the isolated secondary projects to establish local businesses undertaken by individual Volunteers to formal Volunteer programs to provide small business advisory services to a large member of clients.

Volunteers have served as bookkeepers and accountants, loan officers, cooperative organizers and education advisors, business and technical consultants, even business educators. As is true of all Peace Corps programs, some of these Volunteers have benefited from formal education and experience in business, well-designed programs and training, solid staff and host country support and access to resources while other Volunteers have succeeded only by virtue of their own initiative and determination.

While it may seem that the Peace Corps experience in small enterprise development is too diverse to define in general terms, some identifiable patterns have emerged over the years. It can be said, first of all, that the primary motivation behind the agency's involvement with small enterprise has been income generation, particularly for the rural poor. In keeping with its philosophy to serve the poorest of the poor, efforts have focused on small-scale projects to generate income for groups which have traditionally remained outside the formal cash economy. In recent years, this had led to a special emphasis on projects involving women.

Cooperatives and credit unions have generally been the preferred vehicles for agency involvement with small enterprise. Although projects to provide more direct business consulting services to small entrepreneurs have always been a small part of Peace Corps SED effort and have been on the increase in recent years, as late as 1985 two-thirds of the agency's small enterprise development projects involved work with cooperatives.

In part, this is due to Peace Corps' recognition of the vital role cooperatives can play in promoting economic development in many developing countries. They often serve farmers and producers in small communities, providing a mechanism through which to become part of the formal economy. They often integrate agricultural development and commercial enterprise in rural areas. And they provide opportunities for cooperative members to gain valuable managerial, financial and marketing experience. (Economic planners in Taiwan, for example, have given that country's multipurpose agricultural cooperatives credit for the development of business managers who eventually became leaders in Taiwan's sophisticated industrial economy.)

Peace Corps involvement with cooperatives and credit unions also reflects the agency's strong bias toward community-based development efforts. There projects (and Peace Corps' other small-scale income generation efforts) draw on the agency's strengths in language and cross-cultural communication, community organization and adaptation of ideas to local settings and needs. It is also true that cooperatives and credit unions have provided the best opportunity to take advantage of the flexibility, problem solving skills and innovative talent of *"generalist"* Volunteers. In the past, Volunteers working with cooperatives were more easily placed in positions compatible with their relatively limited professional business training and experience. More recently, as Peace Corps has been more successful at recruiting Volunteers with higher levels of business training and experience, projects which can make use of these more specialized skills are becoming more common.

Other developments in recent years have set the stage for expanding the scope of Peace Corps involvement with small enterprise. Since 1981, the agency has clearly made small enterprise development a program priority and has articulated direction in this area in a number of policy papers, including both Forward Plan documents. More coordinated technical assistance, including programming consultancies, training models and information support for both Volunteers and staff, is now available through Peace Corps/Washington to help field staff design and implement SED projects. And, importantly, many host countries have begun to recognize the role small enterprise can play in development and have expanded both the number and the level of sophistication of their requests for Volunteer assistance. It appears that the small business sector in many developing countries is now reaching a point where more individually focused business and technical advice is both appropriate and necessary.

SED Programming: Criteria for Success

As Peace Corps enters into a new era in programming to assist small enterprise, the agency's past experience with SED projects can offer some lessons for the future. A number of factors related to programming, training and recruiting emerged from the project experience cited in this study as *"predictors"* of project success. The more of these elements that are incorporated into a particular project or program, the greater its chance of meeting its stated goals and engendering a high degree of satisfaction among Volunteers, staff and host country participants.

Recommendations: Expanding the Scope of Peace Corps Assistance to Small Enterprise

The researchers and writers of this report were constantly reminded of the diversity of small businesses assisted by the Volunteers interviewed. The seeds of Peace Corps expansion in SED have already been solved in many Volunteer projects, both primary and secondary. Agency programmers need only to keep this variety in mind as they design and negotiate new Volunteer projects that go beyond traditional forms of assistance to cooperatives and credit unions.

A comprehensive listing of the number of small- and medium-scale enterprises and activities that could use Volunteer assistance would be almost endless. One list recently compiled by George P. Butler of Partners for Productivity International can be found in *Management Training for Small- and Medium-Scale Enterprise Development* (Creative Associates for USAID, 1983). Butler states: *"In LDCs, the majority of small and medium enterprises are engaged in:*

- *retail trading (market vendors, provision storekeepers, sellers of artifacts, farm equipment, cosmetics, books and stationery);*
- *clothing manufacture (tailors and seamstresses);*
- *food processing (millers, bakers, butchers, caterers, cook shop operators and distillers);*
- *construction contracting (masons, carpenters, roofers, pipe fitters, earthworks contractors, road builders and maintainers);*
- *transportation (taxi operators, truckers, hand carters and animal traction carters);*
- *vehicle, mechanical and tire repair;*
- *furniture and wood product manufacturing (including sawmilling and charcoal production);*
- *metalworking (blacksmiths, welding, sheet metal working and founders);*

- *leather-tanning and-working (including shoemakers and fabricators of synthetic leather products);*
- *handicraft artisanry (weavers, potters, carvers, dyers and jewelers);*
- *miscellaneous services (barbers, hairdressers, private enterprise trade school operators, accountants and auditors, money lenders, bar, disco and hotel keepers); or*
- *miscellaneous manufacturing (building materials, soap, household utensils, mattresses, fishing equipment, sacks and other containers."*

Other enterprises could be added, from logging, fishing, river/coast shipping, real estate, machine parts manufacturing, toolmaking, garbage disposal or recycling to the services provided by electricians, plumbers, grocers and professionals such as lawyers and doctors. The possibilities are infinite, and any foreign assistance organization involved in enterprise development should carefully explore them. Rarely is there only one option or business possibility which most nearly matches perceived local needs.

There is as much diversity in needs for technical assistance as there is in types of enterprises. A checklist of the types of requisite assistance could include:

- management and decision making
- general administration
- personnel management and training (including fundamental education)
- capital formation
- financial management
- accounting and auditing
- government laws, regulations and taxes
- planning, goal setting and evaluation

- entrepreneurship
- subcontracting with larger enterprises (public and private, foreign and indigenous)
- production technology
- production scheduling
- quality control
- packaging
- inventory control
- costing
- product design and acceptability
- pricing
- promotion and advertising
- market analysis (domestic and/or foreign)
- special problems or export operations
- linkages with overseas markets and distributions systems

Consulting services to small and medium enterprises in developing areas can utilize all of the above-mentioned skills. To be truly effective in the field, an assistance organization must be able to identify, assemble and apply each of the skills appropriate for a given project. In addition, it must be recognized that a small enterprise in one setting or country might be considered medium-sized in a less sophisticated economy. Skills must be adapted accordingly.

Individual entrepreneurs are most often the target of such assistance, yet the nature and the role of the entrepreneur is one of the least understood phenomena in development theory. The importance of entrepreneurial initiative to economic growth in developing areas is becoming more widely recognized. Taiwan's economic planners have emphatically stated that the major obstacle to that country's economic development in the early years was a lack of entrepreneurs, not capital, although the latter was also in critically short supply. They felt that whenever entrepreneurship was present, capital formation automatically followed.

Yet, few studies can clearly define an entrepreneurial personality, nor is it clear how foreign assistance organizations can effectively support them. George Butler postulates in the study cited earlier that the *"general consensus is that the majority of entrepreneurs . . . in LDCs will respond constructively to management training and uncomplicated forms of direct assistance if the project has established a relationship of trust with its target group."*

Given its record of acceptance and cultural sensitivity, Peace Corps has an advantage in building the trust that would be required to assist entrepreneurs as part of an expanded SED effort. Indeed, Peace Corps' *Small Enterprise Development Policy Paper* published in June, 1983, states that the first objective of the program is to transfer basic business skills to existing or prospective entrepreneurs and employees in developing countries through Peace Corps Volunteers:

- Working as extension agents under the auspices of a supervisory organization (e.g., Host Country Ministries of Industry, Trade or Commerce; Trade Associations; and Chambers of Commerce);
- Training local extension agents for the above organizations through workshops and seminars;
- Teaching business skills in schools and vocational training programs;
- Working directly as business advisors with Cooperatives, Credit Unions, Small-Scale Industrial Estates, Regional Development Banks and other Regional Development Programs; and
- Working on an individual placement basis, in a business advisory capacity with non- or indirectly-business related government agencies (e.g., Ministries of Tourism, Water and Electric Boards, Ministries of

Social Service, Women in Development and Disabled Income-Generating Projects).

As in the past, this document envisions Peace Corps involvement in assistance to entrepreneurs as primarily a part of larger host government efforts. The drawback to this approach is that there is no guarantee that the clients served by the Volunteers through there umbrella organizations will be actual profit-oriented businesses. There may also be little opportunity for developing the longer-term, close advisory relationship with individual business that institutional development requires. Programming vehicles that involve private voluntary organizations or indigenous business associations in the host country may be more likely.

Supportive Government Atmosphere

Peace Corps projects have a greater chance of success if they concentrate on the type of SED activity that the host country government supports, whether it be microenterprises, small businesses, precooperatives or credit unions. Government support may not guarantee the absence of bureaucratic problems and delays, but it usually means that individuals can be found at some level in the bureaucracy who will provide Volunteers with more than token support. The more genuine the support, the greater the likelihood for project success.

Host Country Participation in Programming

Design and implementation of the project must be carefully developed with host country participation at several levels of involvement. The further up the ladder the involvement is from the actual project participants, the more likely it is that choices will be made which do not reflect the actual or priority needs of the participants. Involvement of host country individuals in all the stages of programming helps develop a more realistic design and implementation plan.

Participant Acceptance and Rapport

Similarly, it is imperative that the project address a need perceived by the entrepreneurs or coop members themselves. This may require additional time in the early stages of project planning educating the participants to the possibilities offered by the project. Once that has been accomplished, there must be a willingness to cooperate, openly confer and work toward a commonly understood goal. This ongoing communication process, so essential to project success, is much smoother when participants have been allowed to define their own needs for assistance.

Vertical Project Assignment

There are many examples of successful programs in which Volunteers have been assigned as advisors to numerous projects across a wide geographical or social range (horizontal assignment). Most often this occurs in situations where Volunteers work for host country government agencies. The project experiences cited in this study, however, suggest a greater level of success when a Volunteer works with one or a very small group of related projects (vertical assignments). The Volunteer has more direct input at more levels and is more likely to be able to intervene to solve problems and ensure project success.

Host Country Counterparts

An effective relationship with a host-country counterpart is a win-win situation. It helps Volunteers to work more effectively in the host country culture and it often helps the counterpart by providing a role model as well as specific skills training. Successful enterprises do not remain successful without competent leadership. Volunteers have a genuine contribution to make in training counterparts who can provide the project with continued presence and leadership after the Volunteers leave.

Realistic Goals

Successful enterprises set goals based upon the known vagaries of the marketplace and judge their success by measuring their results against those goals. Studying past experience enables businesses to set goals which can be realistically achieved, including the goals of overcoming specific rigidities, constraints or technical problems which limit success in the marketplace. Projects with income and employment generation as goals can easily quantify those intentions and collect the necessary data to document their success. Good project planning which involves participants from the beginning, accurate recordkeeping and time taken for evaluation can help those involved in the enterprise see their progress and gain confidence in their own abilities.

Preliminary Market Analysis

A major problem of small enterprise development is that projects are frequently initiated based upon available skills and raw materials without considering whether a market exists in which to sell the product. An enterprise cannot be judged successful if its product remains unsold. Those projects which have been most successful in assisting commercial enterprises were based on early assessment of market potential.

Access to Start-Up Capital

Access to start-up capital is a frequent problem in small enterprise activity in developing countries. Often local entrepreneurs expect Volunteers to supply or gain access to this funding. Peace Corps and the USAID have attempted to address this issue by making funding mechanisms available to Volunteers for small projects. Other SED projects have placed Volunteers in a position of serving as a conduit for loans by assisting small farmers and entrepreneurs in procuring funding from local banks or credit unions. This can be an appropriate role for Volunteers assisting small enterprise, but only if Volunteers pass on their networking and accessing skills to the community members with whom they work. Otherwise, a dependency is created which makes it difficult for enterprises to become self-sustaining.

Participant Business Skills

Because of the range of businesses included in Peace Corps SED projects, the specific requisite skills for Volunteers vary from assignment to assignment. The variety of skills needed to implement small- and medium-scale business is impressive. The more of these skills which are made available to the local enterprise, the more likely that business decisions will be sound and mistakes minimized. The most successful Volunteer projects have been those in which either business skills already existed in the community which could be tapped for the enterprise or the Volunteer was able to train group members in essential elements of business practice. In these cases, the Volunteer was at an advantage in having had previous business training and/or access to technical measures.

Prior Success in Government-Support Initiatives

Often SED Volunteers working within a government bureaucracy can succeed only to the extent their bureau does. If there is a history of failures with government-supported cooperatives or government disincentives to private business, the Volunteer is forced to overcome major credibility problems before any progress can be made. Conversely, if there have been past successes, individuals are likely to respond more positively to Volunteer assistance.

Volunteer Business Knowledge and Experience

Volunteers with business knowledge and experience have a definite advantage in contributing to successful small enterprise development projects. There is indeed no better teacher than experience. The Philippine and Ecuador experiences also suggest that Volunteers with prior knowledge of the specific business to which they are assigned are better able to adapt their business experience to host country needs. Yet, training and access to technical resources can help even relatively inexperienced Volunteers provide effective assistance to small enterprise, as many of the secondary activities described in this study point out.

Entrepreneur or Supervisor Acceptance

All Volunteers need to establish a level of trust and acceptance with project participants. Those Volunteers who have been able to develop strategies to cope with gender and race bias and business practices such as nepotism and corruption have been best able to establish the effective relationships required to provide genuine assistance. Those projects which minimized the Volunteer's official role in reporting discrepancies and focused instead on their role in educating organization members and solving problems creatively had the greatest degree of success in this area.

Assistance to entrepreneurs and finding new vehicles for Volunteer involvement with small enterprise figure largely in the specific recommendations for Peace Corps programming outlined below. These recommendations are based on the review of project experience and current program directions undertaken for this study as well as the author's experience with other projects in small enterprise development around the world.

Expand Programming with Profit-Making Enterprises

This change can be accommodated without substantial diminution of activity with cooperatives and the other groups with which Peace Corps is accustomed to working. The recommendation involves expansion and diversification and existing programming to include more profit generating enterprises.

Developing these projects requires discussions and coordination with all sectors of the host business community. The views, guidance and participation of responsible local business leaders can often be attained by asking them to serve on planning committees

Initial assignments in profit oriented businesses need to be carefully supervised. Placement in profit-making state enterprises, private commercial banks or insurance companies could be a natural starting point because of the networking nature and impact of their operations. Other options include local and national Chambers of Commerce, trade associations, Rotary Clubs and other business umbrella organizations--in addition to the traditional assignments with government agencies or academic research organizations. Projects where this is already being done can be closely observed.

Market research is a potential area for future emphasis. Stanley Prouis, a Returned Peace Corps Volunteer who served in Ethiopia, has proposed using Volunteers as marketing specialists and managerial assistants in a provocative paper entitled *Peace Corps Involvement in Entrepreneurial and Small Industry Development in Africa.*

Investigate SED Possibilities in Other Categories

Each major programming area in which the Peace Corps operates should be analyzed to determine the potential within that category for a small enterprise development component. For example, areas such as food systems, education, health care, women in development and community development could all be sources of income-generating small enterprise projects.

This approach follows the pattern recently adopted by USAID whereby every functional or area bureau is required to investigate the potential within its specialization for projects involving private enterprise development. In addition, every USAID functional and area bureau and overseas mission has designated a person or persons to handle this responsibility; interbureau committees meet on a regular basis to review existing and new program proposals for private enterprise project potential, with the Bureau for Private Enterprise coordinating the effort.

Such an integrated approach can lead to more and better projects in small enterprise development. By keeping the subject in mind on a comprehensive and consistent basis, the number of projects identified in other fields markedly increases. This coordinated approach can also deepen insights into how to program small enterprise development projects. Such an approach is definitely in consonance with the integrated policy initiatives of the *Peace Corps Forward Plan 1985-1987*.

Use Team Approach

Few Peace Corps Volunteers have had sufficient professional experience to qualify as *"expert"* in more than a few of the many skills required in enterprise development. Nevertheless, many of the skills could be made available to a project by combining the differing specializations of several Volunteers into an integrated team. Even if some of the team members are generalists rather than specialists, this method provides opportunities for sharing responsibilities, insights, skills and experiences.

The team approach is not appropriate for all projects. However, experimental teams which can address all aspects of enterprise development (including financial management, market analysis and pricing issues) can often be used effectively to work directly with profit-generating enterprises.

Increase Networking with Other Organizations

The Peace Corps does not always possess the required expertise and financial resources in each country to cover all phases of small enterprise development. Tapping the resources of other public and private agencies and professional organizations with experience in small enterprise development has proven effective in overcoming this problem. Peace Corps has already worked in collaborative efforts with USAID, Aid to Artisans, Partners for Productivity International, International Small Business Enterprise Development (ISEDC), various agencies of the United Nations, Oxfam and several technical assistance programs sponsored by other donor nations.

Cooperation with such groups has usually been related to a specific project. A more general program has been developed with ISEDC, in which the latter provides back-up help in the form of written advice and information when requested by Volunteers who want guidance after getting involved in small enterprise development projects. The concept has been very well received, but requires time for thorough planning and funding before becoming practically operative.

The recommendation is that collaboration with other professional organizations and PVOs be increased even beyond the proposals in the *Peace Corps Forward Plan 1985-1987*. In some cases, the Peace Corps might not be the leading partner in the collaboration because of the skills, resources and experience of the other collaborators. The special inputs of the Peace Corps Volunteers, however, could be a crucial part of the integrated assistance package.

American companies can also be a valuable resource to the Peace Corps for guidance and even personnel. Training officers of large corporations are often resourceful, practical consultants. The International Executive Service Corps has an extraordinary group of retired experts in a variety of industrial, technical and management fields who make themselves available for short-term consulting assignments.

Improve Program Reporting, Analysis and Evaluation

Evaluation should be increased at several levels. Internally, constant field and headquarters evaluation needs to be encouraged. Project review, assessment and accountability must be built into the system if Peace Corps hopes to learn from its past experience. *All SED related projects should report on levels of increased employment, income and/or profit as well as evidence of increased skills, cohesion and responsibility within the participant group.*

Enhance Training Programs

Volunteer training programs could profitably be expanded to include a section specifically addressing the cultural aspects of business in the host country. Questions to address would include: What role do family members play in business deals? What nonformal economies are present? How do they operate? What is the local business etiquette? Information also needs to be provided on any differing values in the local society, their effect on business decisions,and any options Volunteers may have for coping with them.

Material presented and techniques discussed should be developed from applied experience in order to present as broad a range of options as possible.

A second training enhancement would require any Volunteer whose assignment involves either a product or a service to be marketed by the individuals with whom they work to understand the need for and the methodology of conducting a premarket analysis.

Regardless of whether the project concerns a small business, cooperative or credit union, a premarket analysis helps define the product refinements necessary to enter a market. Despite the critical importance of this activity, it was seldom mentioned in the interviews or written documentation reviewed for this study.

Place Assignment in Development Context

It is important that Small Enterprise Development projects be viewed by Volunteers as a part of a larger development effort. It is relatively easy to see the long-term developmental effects of a new road, a school or a village well, but the collective effect on a community or country of a successful enterprise may be more difficult to understand. Therefore, it needs to be spelled out during the training process. This understanding is particularly critical for Peace Corps Volunteers where an individual's motivation and understanding of his role is so significant to the success of the project.

The important role played by the smallest of enterprises and its effect on long-range job creation and income generation is now well-documented. In this context, it is important to document both involvement in the domestic market (generation of income and employment) and the international market (income and employment generation plus the added benefit of introducing new money into the economy).

Recruit More Experienced Volunteer Candidates

The Peace Corps mandate to work with developing countries and to concentrate on assistance to the *"poorest of the poor"* within these countries means that its small enterprise development activity is usually directed toward smaller, less sophisticated businesses. This point needs to be considered when recruiting new Volunteer candidates--a candidate with experience in small business will have more applicable skills than a recent graduate with theoretical academic knowledge, no matter what level (bachelors, masters, postgraduate). The very nature of the assignment means that experience in the marketplace brings with it the knowledge base to make better enterprise-related decisions. Peace Corps' recent emphasis on recruiting older, retired individuals as Volunteers for the small enterprise field is a logical, commendable approach to recruitment.

Select Vertical Project Assignments When Possible

Assuming that Volunteers are assigned to project areas in which their input will be most effective, placement in vertical project assignments should be favored over horizontal ones. The reasoning for this is related to the nature of Peace Corps service itself. Since Volunteers are spread throughout a country, regardless of the amount of support they receive from the PC field staff, their input is very much an individual one. A vertical assignment allows them to become more fully familiar with the entire project and, therefore, more able to evaluate its success.

In small enterprise development perhaps more than other more tested projects, frequent measurement and evaluation of the project are important. In assignments where Volunteers have vertical responsibility, the small entrepreneur or cooperative, the host county bureaus, the Peace Corps country staff, and the Volunteers themselves can assess progress and make frequent course corrections, thereby improving the overall likelihood for success. This is not to say that horizontal assignments are ineffective or that measuring success in them is impossible. It does imply that a Volunteer with some business experience and minimal resources upon which to draw will tend to be more effective in a vertical assignment.

Implementing these recommendations will necessarily require continued policy commitment and technical support from Peace Corps/Washington. That commitment and support, combined with the creativity and insight of field staff and the dedication and ingenuity of Volunteers, will ensure that Peace Corps continues to play a vital role in efforts to encourage small enterprise development in the developing nations of the world.

APPENDICES

PEACE CORPS VOLUNTEERS INTERVIEWED FOR THE STUDY

CAMEROON

Name	Program	Period
Burns, Ronald R.	Coop	1976-1978
Edelson, John G.	Coop	1980-1982
Ferguson, Alan	Credit Union	1978-1980
Geren, James T.	Coop	1978-1980
Girardi, David J.	Handicraft Coop	1976
Grote, Sarah W.	Credit Union	1980-1983
Johanson, Thomas G.	Coop	1978-1981
Kelly, Thomas J.	Coop	1978-1981
Laidig, Gary	Women's Coop	1971-1972
Maclean, Cecilla P.	Coop	1981-1982
McGinn, Theresa J.	Marketing Coop	1978-1980
McKaig, Nancy R.	Women's Coop	1980-1983
Prior, Stephanie S.	Women's Coop	1978-1980
Plummer, Lauren G.	Coop	1980-1982
Richardson, Timothy W.	Coop	1981-1984
Sterling, Consuelo M.	Women's Coop	1978-1980
Tuten, Janice L.	Coop	1978-1980

ECUADOR

Name	Program	Period
Alexander, Nancy	Integrated Rural Development	1980-1982
Bumgardner, Margaret	Integrated Rural Development	
Duncan, Andrea	Integrated Rural Development	
Hartman, Melinda	Small Business Assistance	1977-1979
Leeds, Richard	Small Business Assistance	1978-1980
Nestor, Patrick	Small Business Assistance	1983-1984
O'Neill, John	Small Business Assistance	1981-1983
Williams, Daniel E.	Small Business Assistance	1981-1983

THE PHILIPPINES

Charles, Johnnie R.	Small Business Development	1977-1979
Dill, Dennis J.	Small Business Development	1977-1980
Drommond, Ray	Small Business Development	
Farmer, Larry Lee	Rural Income Development	1984-1986
Holtsinger, Matthew	Small Business Development	
Judge, Kathie	Pottery Production	1968-1970
Kella, Michael F.	Rural Income Development	1984-1986
Laboda, Leslie	Rural Income Development	1984-1986
Leswing, Kirk	Small Business Development	1977-1980
McDonough, Mark T.	Small Business Development	1979-1981
Murray, Stuart W.	Marketing Coop	1981-1983
Pauls, Vernon	Small Business Development	

THE PHILIPPINES (CONTINUED)

Name	**Program**	**Period**
Peffley, John B. (and wife)	Small Business	1981-1983
Richardson, Timothy	Coop	1981-1984
Ryan, Theodore	Small Business Assistance	1978-1980
Serpa, Mark	Small Business	1977-1978
Street, John	Marketing Coop	1980-1981
Troup, Steven C.	Banking (loans)	1980-1982
Whit, Phillip	Small Business Development	1979-1981
Williams, Barbara D. and James R.	Coop	1980-1981

APPENDIX 2

PEACE CORPS SMALL ENTERPRISE DEVELOPMENT
DATA COLLECTION INTERVIEW SCHEDULE

RPCV Identification: Date: ____________________

==

1) Name: ____

2) Address: ____

3) Phone: ____________________ 4) Best contact time: ____________

5) Country: ____________________ 6) Village, town, etc.: ____________

7) Project assignment: ____________ 8) Time period: ________ - ________

9) PC region: ________ Africa; ________ Latin America; ________ NANEAP

10) Number of Peace Corps Volunteers involved: ____________________

Names (if known): ____

____

==

Small Enterprise Information

11) Type project: _____ Cooperative; _____ Credit Union; _____ Business

_____ Advisory Service; _____ Other

12) Affiliation: _____ Affiliated with development organization: Name _____

_____ Government affiliated project; _____ Independent enterprise

13) Did the project: _____ Generate income; _____ Generate new employment;

_____ Other: ____

14) Type of enterprise: _____ Product; _____ Service; _____ Other;

Specify: ____

15) When was small enterprise initiated? ____________________

16) When was Peace Corps (not specific volunter) involved? ________ - ________

17) Did project continue after Peace Corps Volunteer involvement: _____ Yes;

_____ No; Comments: ______________________________

18) Number of employees: Beginning ______________ Date: ______________

19) Capital investment level: ______________________________

How determined? ______________________________

20) Government policy: _____ Supportive; _____ Opposed

21) Financial condition: As of __________: _____ Excellent; _____ Good;

_____ Barely profitable; _____ Losing money

22) Skills available:

___	Management	___	Good	___	Sufficient	___	Poor
___	Financial Accounting	___	Good	___	Sufficient	___	Poor
___	Production	___	Good	___	Sufficient	___	Poor
___	Quality Control	___	Good	___	Sufficient	___	Poor
___	Distribution	___	Good	___	Sufficient	___	Poor
___	Marketing	___	Good	___	Sufficient	___	Poor
___	Other	___	Good	___	Sufficient	___	Poor

23) _____ Traditional product/service

24) _____ Nontraditional product/service

Explain: ____

25) Sales to: _____ Consumer; _____ Business; _____ Government; _____ Other:

____

26) Sales volume: ____________________ per ____________________

27) Competition level: _____ High; _____ Medium; _____ Low; _____ None

28) Employee pay rates: ______________________________

Incountry this is: _____ Good; _____ Average; _____ Poor

29) Identifiable cultural constraints: ______________________________

____

30) Special problems: ______________________________

31) Current status of project: _____ Active; _____ Inactive; _____ Unknown;

_____ Other: ______________________________

Program Information

Description:

32) Name of project: ______________________________

33) Type: ____ Cooperative; ____ Credit Union; ____ Small Business Assistance;

____ Primary Assignment; ____ Secondary Assignment

34) What were the goals of this project? ______________________________

____

35) What role did you have? ______________________________

____

36) When you entered the project was it _____ new; _____ already ongoing;

_____ undergoing major changes; _____ phasing out

37) Following your involvement, was the project

_____ expanded in scope; _____ maintained at the same size;

_____ reduced in scope; _____ discontinued

38) Did you work with host country counterparts? _____ Yes; _____ No

Please explain: ______________________________

____

39) Were there other organizations (in addition to the Peace Corps and the small enterprise) involved in the project? ______ Yes; ______ No

If so, what one(s)? ______________________________

What did they do? ______________________________

40) Was the small enterprise project you worked with integrated with any other project area? ______ Yes; ______ No

If so, what other area(s)? ______________________________

Design (Planning):

41) Who did the planning for the project in which you worked?

____

42) In what way were host country individuals involved in the planning?

____

43) What involvement did you as a PCV have in the project design?

____

44) Did women play a particular role in this project design? ____ Yes; ____ No

Please explain: ______________________________

Training and Support:

45) Were PCVs assigned to the small enterprise project because of specific skills and expertise? ____ Yes; ____ No If so, what skills or expertise?

____

46) What training specifically related to your assignment did you receive before beginning to work in your project? ______________________________

____

47) Did you receive additional pertinent training while working in the project?

______ Yes; ______ No If so, what type and how often? ______________

____

48) Evaluate the quality of the training you received. ____ Good; ____ Fair;
____ Poor Please explain: ______________________________
____

49) What type of assistance did you receive from regional and country PC staff?
____

50) Evaluate the quality and quantity of the assistance described above:
___ Good; ___ Fair; ___ Poor; ___ Too much; ___ Reasonable amount;
___ Not enough Please explain: ______________________________
____

51) What type of support or assistance did you receive from the host country government? ______________________________
____

52) Please evaluate that support/assistance: ___ Good; ____ Fair; ____ Poor;
___ Too much; ___ Reasonable amount; ___ Not enough

53) Explain any assistance received from other sources: ______________________________
____
____

54) Did the project itself or parts of it become self-sustaining during your involvement? _____ Yes; _____ No Please explain: ______________________________
____

55) How did the entrepreneur(s) assess the effectiveness of your assistance?
_____ Highly effective; _____ Somewhat effective; _____ Ineffective;
Please explain: ______________________________
____

56) How did the community assess the effectiveness of your assistance?

_____ Highly effective; _____ Somewhat effective; _____ Ineffective;

Please explain: ______________________________

____

57) What was your assessment of the effectiveness of your assistance?

_____ Highly effective; _____ Somewhat effective; _____ Ineffective;

Please explain: ______________________________

____

58) What were the short-term effects of this project? ______________________________

____

59) What were the long-term effects of this project? ______________________________

____

60) Could and should this small enterprise assistance project be replicated:

_____ Elsewhere in the host country? Please explain: ______________________________

____

_____ Elsewhere in other countries? Please explain: ______________________________

____

61) What specific problems did you encounter? ______________________________

____

____

62) Did you overcome them? If so, how? ______________________________

____

63) What successes did you identify? ______________________________

____

Personal Impact:

64) Did you identify particular changes in the attitude of host country individuals as a result of your assistance in this project? _____ Yes; _____ No If yes, what changes? ______________________________

____

65) What was the greatest contribution you made in this small enterprise project? ______________________________

____

66) What is your greatest lasting impression from this small enterprise assistance experience? ______________________________

____

____

Summation:

67) ______________________________

____

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PEACE CORPS FORWARD PLAN 1985-1987 INITIATIVE FOUR: EXPAND INCOME GENERATION PROGRAMS

During the past decade, small enterprise development has been recognized as a valuable tool in international development. The focal point, however, has usually been beneficiaries that are most able to take advantage of official assistance. The smallest businesses are often neglected. And the poorest--the unemployed who might be engaged in income generating opportunities but lack the voice to gain assistance--are overlooked. Peace Corps plans to begin a concentrated effort to establish and/or develop small-scale enterprises.

The obvious reasons for promoting small enterprise development are both social and economic (i.e., creation of employment opportunities and increased income for those employed), but there are also auxiliary benefits. These enterprises have the added advantage of promoting economic development through local efforts and local resource mobilization. This self-help element is vital to long-term goals. In addition, extensive research has shown that it requires less capital investment and is cheaper to create jobs in small-scale enterprises. They also have the potential to reduce rural-urban migration, to bring goods and services to rural inhabitants who usually are the poor majority, and to address critical shortages of urban employment opportunities. Perhaps the most convincing argument is that it is unlikely that developing countries will be able to absorb current or future unemployed into their workforces without small enterprises. For some, the poorest of the poor, small enterprises may be the only hope.

Peace Corps is especially qualified to assist the growth of small-scale income-generating activities because:

- Skilled Volunteers live and work at the local level and are some of the least expensive trained field workers in international development.
- Volunteers with business degrees and/or experience are relatively easy to recruit.
- The agency has worked in local enterprise development since its inception and has a long history of involvement in successful projects.
- It can make a special contribution by providing day-to-day person-to-person encouragement to the poor who want to become self-reliant, thereby reflecting our congressional mandate.

A wide range of collaborative relationships has been developed. Peace Corps and AID, for instance, have agreed to establish a Small Enterprise Development Liaison position to ensure closer agency collaboration in assisting small enterprises and cooperatives. Since January 1983, Peace Corps has signed Memoranda of Understanding with 14 Private Voluntary Organizations to encourage field and headquarters staff of both organizations to collaborate. Many of these PVOs have an interest in promoting income-generation programs and could serve as resources.

Peace Corps proposes an income-generating program in four project areas:

- Rural Non-Farm Enterprise
- Urban Income Generating Projects
- Precooperative Projects
- Rural Farm Income Generation

Rural nonfarm enterprises generally produce goods and services for the agricultural sector. There are a variety of interventions that a nonfarm enterprise can make in the rural economic chain, such as the manufacture and repair of tools, carts, bicycles or vehicles. These enterprises, aside from producing potentially cheaper goods and services, have an added use in increasing efficiency and/or income of the buyer, thereby creating a self-sufficient economic chain. A dynamic interaction between agricultural development and rural based enterprises can lead to growth of nonfarm employment for the landless poor, cheaper goods and services, and slow rural to urban migration.

Despite potential rural enterprise projects, rural-urban migration will continue. Already many urban areas have enormous slums with the majority of the population unemployed or marginally employed. Unless income-generating opportunities are developed for migrants and unemployed youth, there will be increasing tension. Projects in urban areas will concentrate on filling product and service gaps in the urban economic chain and should result in increased employment opportunities for the urban poor, increased availability of goods and services, and opportunities for the poor to develop new skills. The upgraded skills may allow the beneficiaries to return to rural areas or remain in urban areas as contributing members.

Although the agency has been involved in cooperative development since 1961, many success stories have been with *"precooperatives,"* i.e., informal groups that do not have access to formal cooperative networks. Individuals work together to accomplish specific income-producing projects (handicrafts, soap making, etc.) which could not have succeeded by working alone. These successes foster cooperation and group self-reliance.

The agency can further stimulate their development by training on better business techniques.

In most developing countries 70 to 80 percent of the population is engaged in agriculture. Generally, it is subsistence in nature due to factors such as lack of crop storage facilities and inadequacies in the crop marketing and distribution systems. This results in low crop prices leading to disincentives to produce more than enough to meet basic needs.

Interventions into the food marketing system can produce income-generating opportunities for the farm population. One successful project is the establishment and management of food cooperatives which can help to generate income directly by establishing higher farm gate prices for produce or by expanding market opportunities; and indirectly by lowering farmers' cost of production by bulk buying of farm inputs (e.g., fertilizer, seed) or by providing crop storage facilities to reduce post harvest losses. Peace Corps can encourage farmers to form food cooperatives, assist in market feasibility assessments and provide basic business management skills to cooperative members.

The income generation concept is not new. This initiative, however, represents a significant refinement and expansion in level of activity. Volunteers will be assigned to a variety of settings which will provide better assessment for future placements. The opportunity will be afforded to more generalist business Volunteers to apply their training under difficult circumstances. Finally, the effort provides another channel within which to instill a capacity for self-sufficiency at the lowest economic level.

November 1984

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Since 1961 when the Peace Corps was created, more than 80,000 U.S. citizens have served as Volunteers in developing countries, living and working among the people of the Third World as colleagues and co-workers. Today 6000 PCVs are involved in programs designed to help strengthen local capacity to address such fundamental concerns as food production, water supply, energy development, nutrition and health education and reforestation.

Peace Corps overseas offices:

BELIZE
P.O. Box 487
Belize City

BENIN
BP 971
Cotonou

BOTSWANA
P.O. Box 93
Gaborone

BURKINA FASO
BP 537
Ouagadougou

BURUNDI
BP 1720
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Barbados, Grenada,
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Kitts-Nevis,St.
Lucia, St. Vincent,
and Dominica
Peace Corps
P.O. Box 696-C
Bridgetown, Barbados
West Indies

ECUADOR
Castilla 635-A
Quito

FIJI
P.O. Box 1094
Suva

GABON
BP 2098
Libreville

GAMBIA,The
P.O. Box 582
Banjul

GHANA
P.O. Box 5796
Accra (North)

GUATEMALA
6 ta. Avenida
1-46 Zone 2
Guatemala City

HAITI
c/o American
Embassy
Port-au-Prince

HONDURAS
Apartado Postal
C-51
Tegucigalpa

JAMAICA
9 Musgrave Avenue
Kingston 10

KENYA
P.O. Box 30518
Nairobi

LESOTHO
P.O. Box 554
Maseru

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Monrovia

MALAWI
Box 208
Lilongwe

MALI
BP 85
Box 564

MAURITANIA
BP 222
Nouakchott

MICRONESIA
P.O. Box 9
Kolonia Pohnpei
F.S.M. 96941

MOROCCO
1, Zanquat
Benzerte
Rabat

NEPAL
P.O. Box 613
Kathmandu

NIGER
BP 10537
Niamey

PAPUA NEW GUINEA
P.O. Box 1790
Boroko
Port Moresby

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Chaco Boreal
162 c/Mcal. Lopez
Asuncion

PHILIPPINES
P.O. Box 7013
Manila 3129

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BP 28
Kigali

SENEGAL
BP 2534
Dakar

SEYCHELLES
Box 564
Victoria MAHE

SIERRA LEONE
Private Mail Bag
Freetown

SOLOMON ISLANDS
P.O. Box 547
Honiara

SRI LANKA
5075 Siripa Road
Colombo 5,

SUDAN
Djodi Deutsch
Administrator/PCV'
c/o American Embas
Khartoum

SWAZILAND
P.O. Box 362
Mbabane

TANZANIA
Box 9123
Dar es Salaam

THAILAND
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Bangkok 10300

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BP 3194
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